2016 Sustainability report

Statoil

LETTER FROM OUR CEO


Eldar Sætre, *CEO*

Dear stakeholders,

Safety and security is our top priority in Statoil. And while 2016 was a year of many achievements, we also experienced the worst thinkable. We had a contractor fatality during construction work in South Korea, and on 29th April we lost 13 colleagues when a helicopter crashed on its way from Gullfaks B to Bergen.

For the year as a whole, our serious incident frequency came in at 0.8, an increase from the two previous years. We are not satisfied with this development and have taken several steps to reinforce safety measures throughout the company.

In 2016, we saw oil prices below USD 30 per barrel and while prices increased towards the end of the year, our average realised liquids price was still below USD 40 per barrel for the year as a whole.

We delivered our cost improvement programme above target. The next step will be to go from project mode to a culture of continuous improvement, and we have set a target of achieving USD 1 billion in additional cost improvements in 2017.

By reworking solutions from reservoir to market, we have transformed our opportunity set. The break-even price for our 'next generation' portfolio of projects (those sanctioned since 2015 or planned for sanction with start up by 2022), is now at USD 27 per barrel of oil equivalent (boe).

Organic capex for 2016 was USD 10.1 billion, a USD 3 billion reduction from the original guiding. Production for the full year was 1,978 million boe per day, a slight increase from 2015 due to continued high production efficiency and despite high turnaround activity. Our reserve replacement ratio (RRR) was 93 %.

'High value, low carbon' is at the core of our sharpened strategy. We believe the winners in the energy transition will be the producers which can deliver at low cost and with low carbon emissions.

Statoil is pursuing a distinct and value driven strategy:

- On the Norwegian Continental Shelf, we have a unique position which we will leverage further to build our future business and maximise value
- In our international upstream business, we will focus, deepen and explore further. Brazil is a core area for us, together with our position in the highly flexible US onshore business
- For the marketing, midstream and processing business area, the job is to secure flow assurance by accessing premium markets and strengthening asset-backed trading, based on a 'capex light' approach
- In the new energy solutions business area, we are building a profitable business with the long-term potential to account for 15-20 % of our capex in 2030, provided that we can access and mature attractive opportunities

Our commitment to long-term sustainable value creation, is in line with the principles of the UN Global Compact.

We believe a low carbon footprint will make us more competitive in the future. We also believe there are attractive business opportunities in the transition to a low carbon economy. Statoil intends to be a part of this transformation in order to fulfil our purpose of turning natural resources into energy for people and progress for society. Our climate roadmap explains how we plan to achieve this and how we will develop our business, supporting the ambitions of the Paris climate agreement.

I look forward to further strengthening Statoil in 2017, pursuing the priorities set out at our Capital Markets Update: resetting our cost base, transforming our opportunity set and continuing to chase improvements. We have sharpened our strategy as an energy company towards 2030, and are ready to capitalise on high value opportunities.

Eldar Sætre

President and Chief Executive Officer
Statoil ASA

FIND OUT MORE

OUR APPROACH

For information on how sustainability is integrated into our business strategy and daily work please follow the links below

The Statoil Book

Sustainability pages

OUR REPORTS

For access to annual financial, sustainability, CDP and energy perspectives reports for 2016 and previous years please follow the links below

Investor centre

Sustainability pages

FEEDBACK

We welcome your feedback. Please use the e-mail and social media channels linked below.

For Statoil employees

@statoil

Sustainability report

Connect with us

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Shaping the future of energy

There is little doubt in my mind that the future of energy is going to be both low cost and low carbon.

Hans Jakob Hegge,
Chief financial officer

SHAPING THE FUTURE OF ENERGY

We turn natural resources into energy for people and progress for society

The energy industry is changing fast, bringing new realities for oil and gas companies. Difficult market conditions, caused by the sustained low oil price, have forced a focus on costs and efficiency. Global urgency around climate change has brought a clear ambition to reduce greenhouse gas emissions and achieve a low carbon energy future. New technologies, innovation and industrial scale are starting to transform power generation and reshape the energy mix.

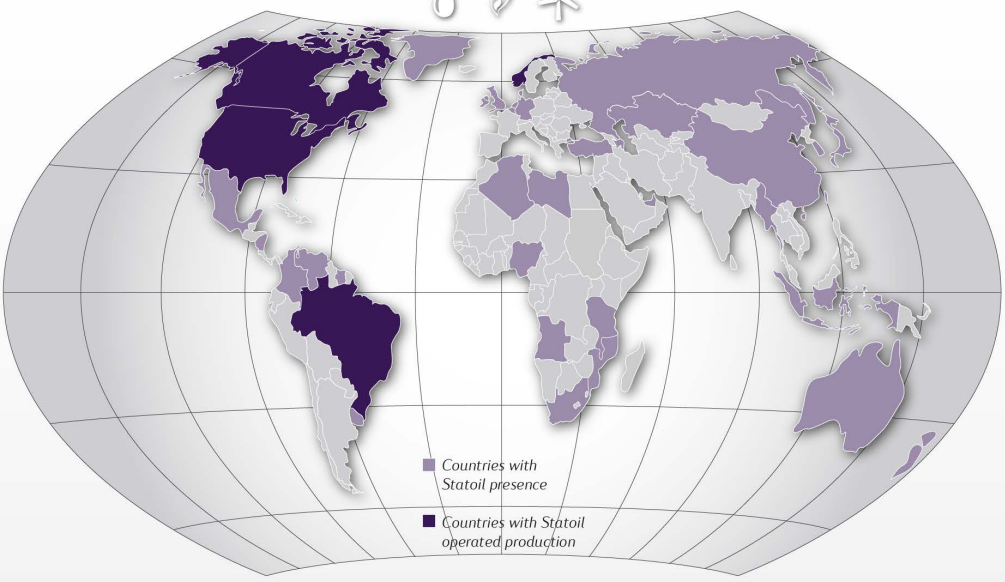
During the course of 2016 we have worked on sharpening our business strategy to respond to these new realities.

OUR BUSINESS

Statoil was formed in 1972, beginning its development along with the emergence of the Norwegian oil and gas industry. We have grown to become the leading oil and gas operator in Norway, making a significant contribution to the Norwegian economy. We have also built up an international portfolio.

Statoil has been listed on the New York and Oslo stock exchanges since 2001. At the end of 2016 we had a presence in over 30 countries and a workforce of approximately 20,500.

STATOIL at a glance



REFINING, GAS PROCESSING AND TERMINALS	DEVELOPMENT AND PRODUCTION	EXPLORATION
Bahamas, Denmark, Germany, Norway, UK	Algeria, Angola, Azerbaijan, Brazil, Canada, Ireland, Libya, Nigeria, Germany, Norway, Russia, Tanzania, UK, USA, Venezuela	Algeria, Angola, Australia, Brazil, Canada, Colombia, Greenland, Indonesia, Ireland, Libya, Mexico, Mozambique, Myanmar, New Zealand, Nicaragua, Norway, Russia, South Africa, Suriname, Tanzania, Turkey, UK, Uruguay and USA

In 2016 our equity production was 305 million boe of gas and 419 million boe of liquids. Approximately 38 % of our equity production took place outside of Norway. Production from Statoil operated assets in 2016 was approximately 1 billion boe.

In recent years Statoil has also become a significant player in offshore wind in the UK. In 2016 we supplied renewable energy to over 200,000 households in the UK.

A brief overview of key exploration, development and production activities is provided below.

Further information on our activities can be found in the 2016 Annual Report and Form 20-F and on our corporate website.

Norway: We have significant exploration, development, production, refining and gas processing activities. We are the largest oil and gas operator on the Norwegian Continental Shelf.

USA: We hold operatorships in the Bakken, Marcellus and Eagle Ford onshore shale oil and gas assets. We are among the largest lease holders in the Gulf of Mexico with an active exploration programme. We are also a partner in a number of fields both under development and in production.

Brazil: We are operator for the heavy-oil Peregrino field and a partner and operator in a number of exploration licences including the BM-S-8 licence for which we acquired an operated interest in 2016.

Canada: We hold exploration licences and are a partner in a number of fields under development or in production off the east coast of Canada. In 2016 Statoil signed an agreement to divest its 100 % owned Kai Kos Dehseh (KKD) oil sands projects to Athabasca Oil Corporation, with an effective date for the transaction of 1st January 2017. The transaction involved Statoil acquiring just below 20 % of Athabasca's shares and this will be managed as a financial investment.

UK: We hold operatorships in the Mariner, Bressay and Utgard fields, are partner in the Jupiter and Alba fields and an operator and partner in a number of exploration licences on the UK Continental Shelf. Statoil is also involved in several offshore wind projects in the UK.

Algeria: We are a partner with BP and the national oil company Sonatrach in two joint ventures for the development and operation of the In Salah and In Amenas onshore gas fields. We are also the operator for the Timissit exploration licence.

Angola: We are a partner in eight offshore producing fields in the Congo basin on the Angolan Continental Shelf and two offshore exploration licences in the Kwanza basin.

OUR VALUE CHAIN

Exploration, development and production

Statoil focuses on innovation in exploration, development and production to recover natural resources. We are one of the world's most carbon efficient oil and gas producers, committed to ensuring safe operations and creating value for society.

Low carbon technologies

A growing demand for low carbon energy is opening up new business opportunities. Within this area, our current focus is on carbon capture, usage and storage (CCUS) and offshore wind.

We are also following other renewable energy solution options, and launched a USD 200 million venture capital fund in 2016 to invest in renewable energy companies. These activities are managed by our new energy solutions business area.

Transportation and storage

We utilise pipelines, shipping, trucking and rail for the transportation of natural gas, natural gas liquids (NGL), crude oil and condensate from Statoil assets.

We are the technical service provider for reception facilities and transport infrastructure for gas on the Norwegian Continental Shelf where Statoil has ownership in a number of pipelines. We are also the operator for the Polarled gas export pipeline and the oil and gas pipelines that will provide export from the Johan Sverdrup field.

Statoil has an oil storage and transhipment terminal in the Bahamas and gas storage facilities in the UK and Germany.

We have over 90 sea-going vessels in daily operation, transporting oil and gas. We work actively to enhance energy efficiency and reduce emissions to air from our shipping activities, as well as to prevent oil spills.

Refining, gas processing and terminals

Statoil refines oil and processes gas at a number of plants both in and outside Norway.

Marketing and trading

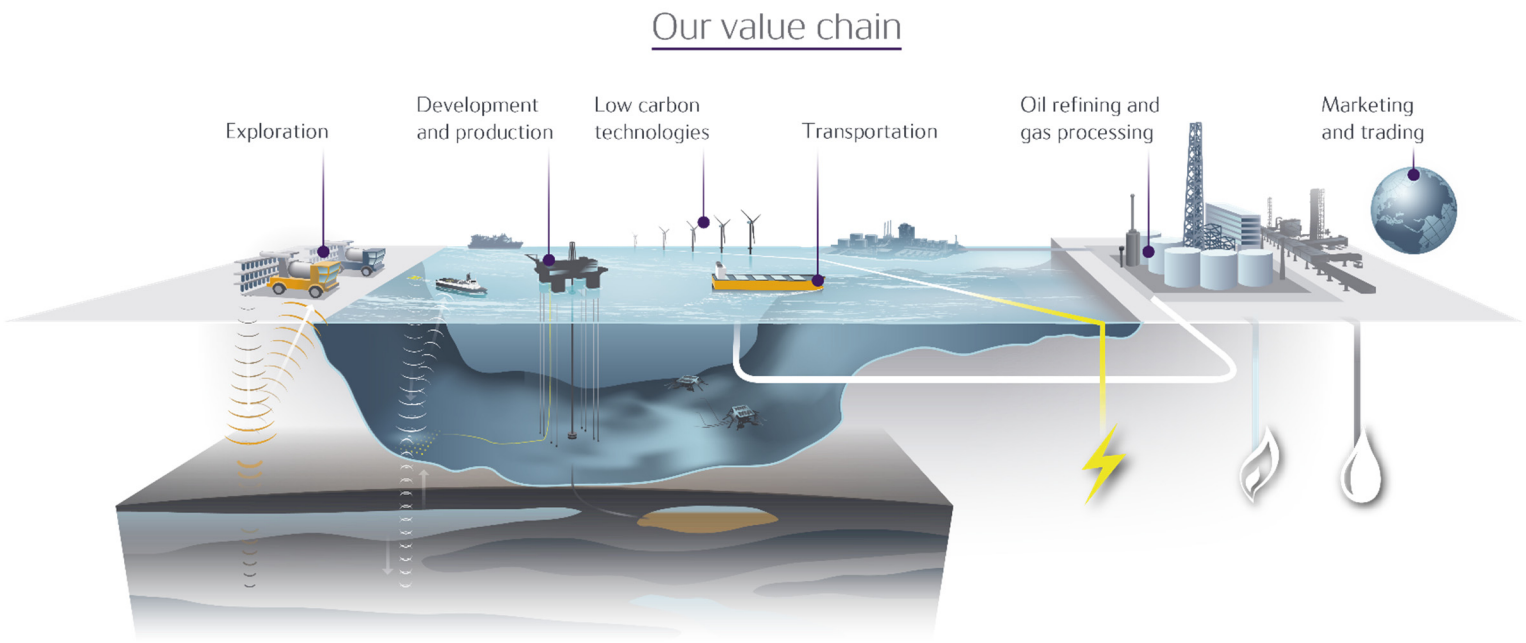
Statoil markets and trades crude oil and condensate, natural gas, natural gas liquids (NGL), refined products, power and emission allowances all over the world. We market and trade our own volumes, the Norwegian state's direct financial interest (SDFI) crude oil and NGL volumes, and third party volumes. Statoil ranks as one of the world's largest traders of crude oil, on a net basis, and is the second largest supplier of gas to Europe.

Petroleum products

Our gas is used for electricity production, cooking and heating and for industrial purposes. Oil products are mainly used in transport, but are also ingredients in various plastics and synthetic materials.

Supply chain

The annual value of our procurement spend is over USD 18 billion, and we have approximately 9,400 suppliers around the world. We are committed to working with suppliers that maintain high standards of sustainability performance.



OUR SUSTAINABILITY PRIORITIES

Our understanding of and response to sustainability issues is shaped by our corporate vision, purpose and strategy and guided by our corporate values, code of conduct and commitments.

We prioritise these issues using our risk management and social and environmental impact management processes, across the value chain. These processes address both the risks and impacts for our specific activities and global challenges and trends, including significant policy and regulatory developments, relevant to our activities.

In 2016, we matured our response to the Paris agreement on climate change (the Paris climate agreement) which came into effect in November 2016. In this report, we outline our climate roadmap, that explains how we will deliver on our strategic ambition to create a low carbon advantage and develop our business in support of the ambitions in the Paris climate agreement.

Our climate roadmap is available on our corporate website.

We also initiated a process in 2016 to explore the role we should play in contributing to the Sustainable Development Goals (SDGs). These were agreed in 2015 and are at the core of the United Nations 2030 Agenda for Sustainable Development. We are looking at how the SDGs will shape the way we work. This process will continue during 2017.

The materiality assessment undertaken to shape the content of this annual sustainability report serves as both a retrospective and forward looking review of our priorities. It has been conducted on the basis of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, drawing on the knowledge and opinions of our employees, the established dialogues with our external stakeholders and media analysis.

Through this engagement and analysis, we identified and prioritised the issues that both matter to our stakeholders and are material to Statoil's delivery of economically, socially and environmentally responsible operations and growth.

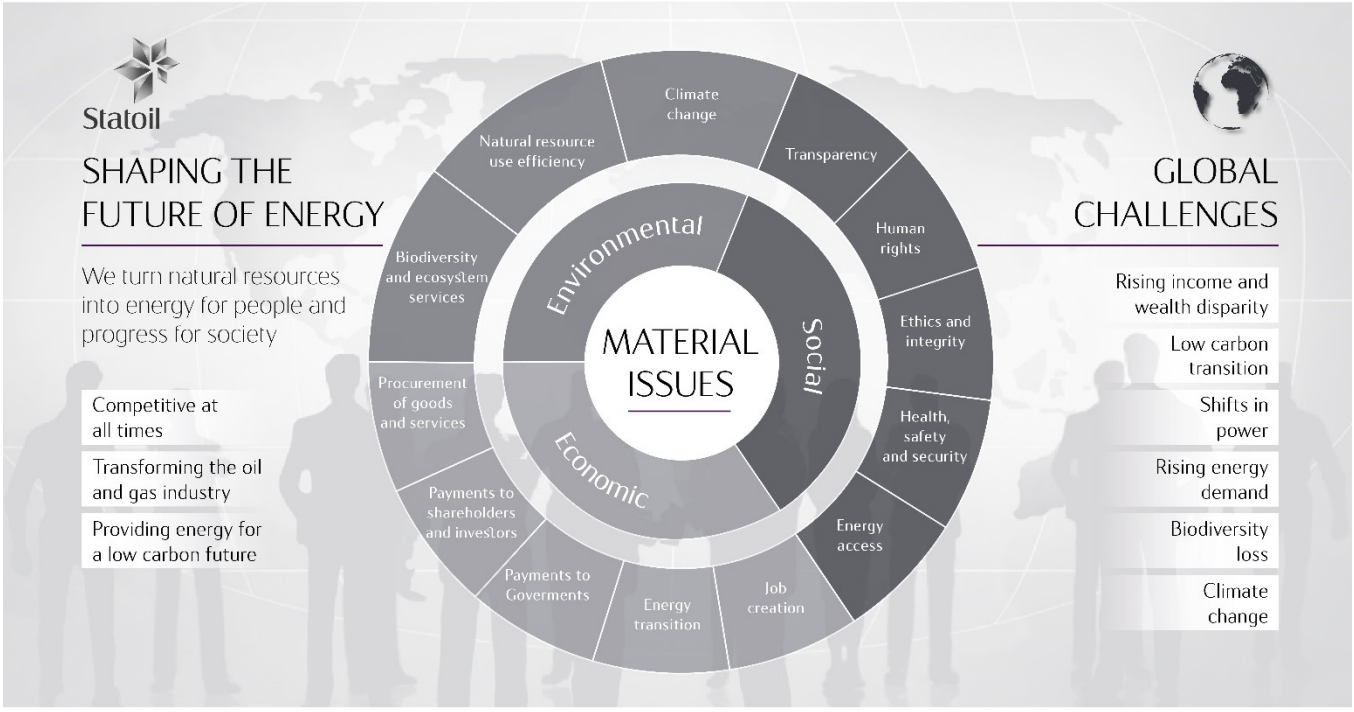
We assessed where and when in our value chain the business impacts for each material issue were relevant. The figure below reflects how related issues have been grouped together in the analysis. The issues are addressed further in this report.

The 2016 materiality assessment re-emphasised stakeholder concerns surrounding the socio-economic consequences of the industry's response to the challenging market conditions, that has resulted in industry-wide workforce reductions and a downturn for the suppliers supporting the oil and gas industry.

Stakeholders also raised the following:

- Concern over our safety performance following the fatalities and safety related incidents we faced during 2016
- Concern over climate change and interest in our role in and response to the low carbon energy transition
- A high level of interest in our new energy solutions business (established in 2015)
- Concerns over the vulnerability of the Arctic environment and interest in our plans to explore resources in the Arctic
- Interest and concerns over our activity in the Canadian oil sands

An overview of material topics and the corresponding reporting boundaries is provided in *Chapter 8: Appendices*.



SHARPENING OUR BUSINESS STRATEGY

In 2016 we sharpened our business strategy to build a more resilient and diverse portfolio.

Geopolitical shifts, challenges to accessing new oil and gas resources, changing market dynamics and a global transition towards a low carbon economy are increasing uncertainty and volatility. This outlook drives the need for Statoil to build a more resilient and diverse portfolio.

In response, our strategy is to be even more value driven in everything we do, and position ourselves as an energy company committed to long term value creation in a low carbon future. Our strategy can be summarised as: always safe, high value, low carbon.

Four principles will guide our strategic decisions:

- Cash generation capacity at all times
- Capex flexibility
- Capture value from cycles
- Low carbon advantage

By applying these principles, we will actively shape our portfolio to deliver high value with a low carbon footprint, ensuring that Statoil remains fit for the future towards 2030 and beyond.

Oil and gas will continue to form the basis of our portfolio, with a growing contribution from new energy solutions.

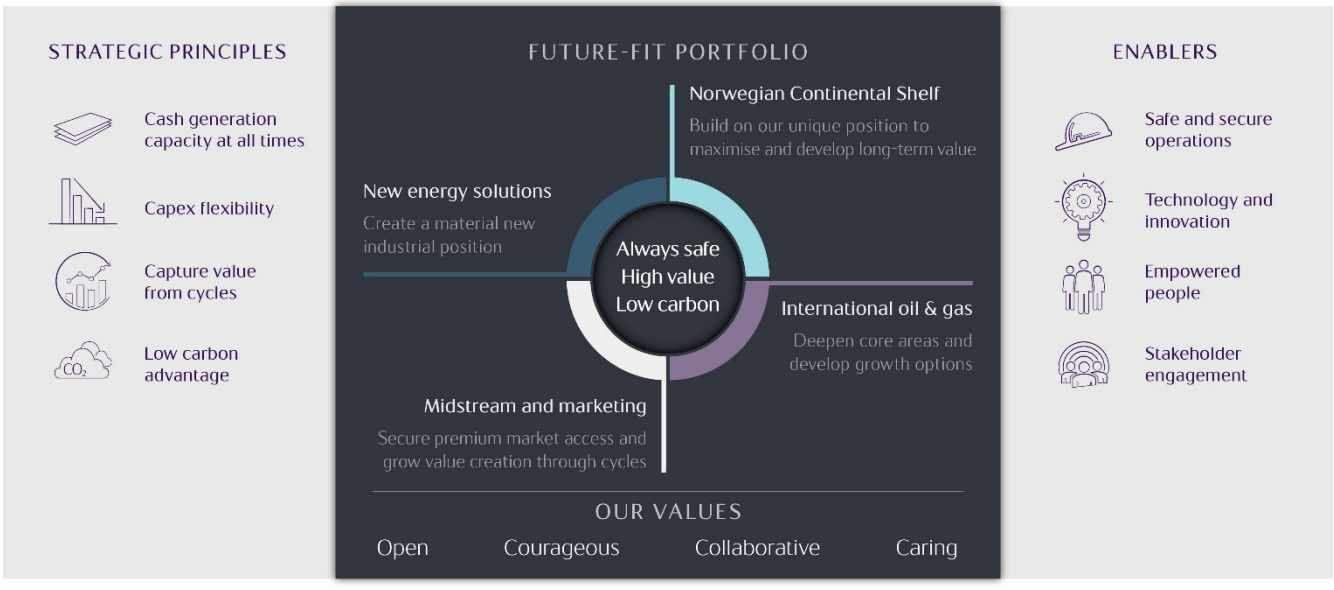
We will maximise the value of our unique position on the Norwegian Continental Shelf and develop our international oil and gas business, focusing on cost and carbon efficiency.

We expect 15 - 20 % of our investments to be directed towards new energy solutions in 2030.

We believe a low carbon footprint will make us more competitive in the future. We also believe there are great business opportunities in the transition to a low carbon economy. Statoil wants to be a part of this transformation in order to fulfil our purpose of turning natural resources into energy for people and progress for society.

We believe our culture and values make Statoil stand out. We always put safety and security first. Working collaboratively with partners and society, we will use our engagement and competence to create new and exciting opportunities and shape the future of energy.

SHAPING THE FUTURE OF ENERGY



RESPONSIBLE OPERATIONS

Our approach to sustainability management is integrated into our overall management system, which includes our policies and requirements, operating model and governance.

Information on our approach is available on our corporate website, where we describe the governance, strategy, policies, requirements and practices, including our risk and environmental and social impact management processes.

During 2016 we continued the revision of our management system. The changes made are intended to: clarify roles and responsibilities; simplify requirements, in order to make them easier to follow; and more clearly communicate how we should generate desired results. This process has included a substantial revision of the Statoil Book. The Statoil Book is at the core of our management system. It describes the most important requirements, including our corporate values, and defines a common framework for the way we work.

We have revised the Statoil Book and our corporate values in order to ensure that they give the right guiding for delivery of our vision and strategy towards 2030.

The revised Statoil Book was launched in February 2017, and can be accessed from our corporate website.

Performance management and reward

We have a values-based performance culture in Statoil. How you deliver is as important as what you deliver. This means that delivery and behaviour are equally weighted.

The performance framework translates our purpose, vision, values and strategy into action and results, creating clear links to team and individual contributions. Using this framework empowers us all to deliver on behalf of the company. It also enables us to adapt to changing and unpredictable business conditions.

We measure progress and results in a holistic way using key performance indicators (KPIs) when relevant, allowing for sound judgement. Updates are done as business conditions change.

In our integrated performance process (Ambition to Action) we translate our purpose, vision and strategy into strategic objectives, risks, KPIs and actions describing what we want to deliver. In our process for managing people development, deployment, performance and reward (People@Statoil), we set goals for what and how we want to deliver as teams and individuals, and to drive our personal development.

In 2016, the assessment of the reward for the CEO's business delivery, within the health, safety and environment (HSE) perspective, was based on the KPIs for actual serious incident frequency (SIF), serious oil and gas leakages and upstream CO_2 intensity. Overall performance was assessed against a broader set of strategic objectives from across five perspectives: people and organisation, HSE, operations, market and finance. It also took into account changes in assumptions and the sustainability of the delivered results.

The statement on remuneration for Statoil's Corporate Executive Committee describes the remuneration policy and criteria.

The statement of remuneration is included in the 2016 Annual Report and Form 20-F, available on our corporate website.

The three HSE perspective corporate level objectives and KPIs for 2016 are presented in the table below together with the end of year results. The evaluation of the 2016 results is provided in *Chapter 2: Safeguarding people, communities and assets.*

Corporate level HSE perspective 2016

Strategic objective: Industry leader in safety, security and carbon efficiency

KPIs (1)	Targets	Results
Upstream CO_2 intensity	Top quartile in the International Association of Oil and Gas Producers' (IOGP) CO_2 intensity benchmark	
Actual serious incident frequency (per million hours worked)	< 0.18	
Serious oil and gas leakages (number per year)	< 10	

Key:
Green – target met or exceeded
Yellow – target partially met
Red – target not met
(1) Definitions are available in *Chapter 8: Appendices*

The corporate level HSE perspective objectives, KPIs and actions that have been set for 2017 are presented in the table below.

Corporate level HSE perspective 2017

Strategic objective: An industry leader in safety, security and carbon efficiency

KPIs [1]	Targets	Actions
Upstream CO_2 intensity	Top quartile in the International Association of Oil and Gas Producers' (IOGP) CO_2 intensity benchmark	Implement Statoil's Climate Roadmap
Total serious incident frequency (per million hours worked)	< 0.6	Further clarify safety expectations throughout the company Define Safety Leadership Independent safety verifications Quality assessment of Safety and Security Assurance plans
Total recordable injury frequency (TRIF)	< 2.7	
Serious oil and gas leakages (number per year)	< 9	

(1) Definitions are available in *Chapter 8: Appendices*

We will continue with the upstream CO_2 intensity KPI and target in 2017 and we will establish a monitoring indicator for the share of capex allocated to new energy solutions.

Based on an overall assessment of the safety performance for 2016 we will revert to the total serious incident frequency (SIF) with a target of less than 0.6 for 2017. We see this focus on the total, including potential serious incidents, as an enabler for turning around the negative trend experienced in 2016. We will continue to report on actual SIF in 2017.

Total recordable injury frequency (TRIF) is proposed as a new safety KPI for 2017. We see this playing a key role in driving our efforts to strengthen safety leadership and the HSE culture in 2017.

For serious oil and gas leakages we have established a roadmap for annual improvements towards 2020.

For 2017, the assessment of the reward for the CEO's business delivery, within the HSE perspective, will be based on the actual serious incident frequency (SIF) and upstream CO_2 intensity KPIs.

The CEO's annual safety, security and sustainability awards

In 2016 the CEO's award was split into two categories, one for safety and security aspects and the other for social, environmental and climate related aspects.

The safety and security award was given to the team of employee volunteers supporting next-of-kin in a crisis for our operations in Norway and internationally.

The sustainability award was given to Statoil's organisation in Brazil for their flagship community initiative – the peer FOCO project – that focuses on promoting the women in coastal fishing communities in Brazil.

Paulo Van Der Ven and Roberto Vianna (left) received the sustainability award on behalf of the FOCO initiative in Brazil, while Monica Kallestadbakken and Aud Pisani (right) represented the employee volunteers in the emergency response organisation who received the safety and security award.

Safeguarding people, communities and assets

It is absolutely fundamental to us and our operations that no one becomes ill, injured or loses their life at work.

Arne Sigve Nylund
Executive vice president, Development and Production Norway

SAFEGUARDING PEOPLE, COMMUNITIES AND ASSETS

Enhancing our initiatives on health, safety and security

Safety and security risks are particularly relevant for the oil and gas industry, because our core activities involve risk of accidents and incidents. We work with flammable hydrocarbons at high pressure, often in harsh offshore environments and at height or depths.

We focus on identifying safety and security risks and having in place procedures and work processes to control them. Our objective is to be an industry leader in ensuring safe and secure operations that protect our people, the environment, the communities we work with and our assets. Our approach to safety and security entails:

- Preventing accidents and incidents
- Avoiding oil spills
- Ensuring a healthy work environment
- Developing a strong security culture

PREVENTING ACCIDENTS AND INCIDENTS

For Statoil, 2016 was marked by two accidents with fatalities. A helicopter accident at Turøy in Norway killed 13 people who were travelling from the Gullfaks B platform in the North Sea in April. In May, one person was killed in an accident while working on fabrication of a Statoil rig at the Samsung shipyard in Geoje, South Korea.

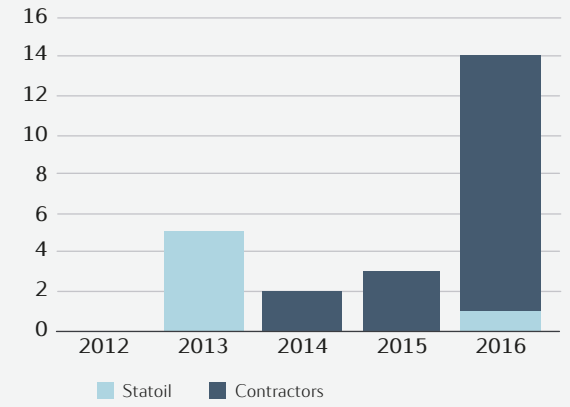
All serious incidents are investigated in order to understand the causes and extract lessons learned to improve safety in the future. Regarding the helicopter accident, the official ongoing investigation concluded that the root cause was technical, connected to a fatigue fracture in one of the gear parts in the gearbox system. Our internal audit proposed eight areas for improvement within the area of flight safety. An internal task force has been established to ensure these findings are implemented.

The fatality at Geoje has been investigated by Samsung and Statoil. The main cause of the accident was non-technical in nature. Mitigating actions for this fatal accident have now been implemented and the investigation is closed.

We also experienced a number of serious incidents in 2016, two of which had a major accident potential. At the Sture terminal (Norway) five people were exposed to H_2S gas (hydrogen sulphide) in October, while working at a treatment facility for oily water inside the terminal area. All affected workers have since recovered after this incident. Statoil implemented immediate actions to prevent the recurrence of similar incidents at all Statoil onshore plants where H_2S could cause a hazard.

Also in October, complications occurred during work to remove the production string from a well on the drilling rig Songa Endurance in the Troll field (Norway). There were no personal injuries, but drill mud containing gas was released. Procedures for handling well barriers have been strengthened.

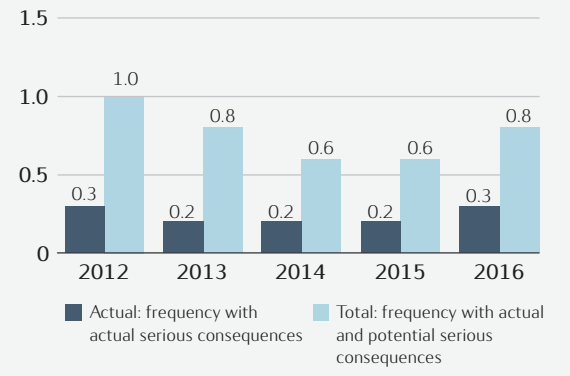
Fatalities
(number of)



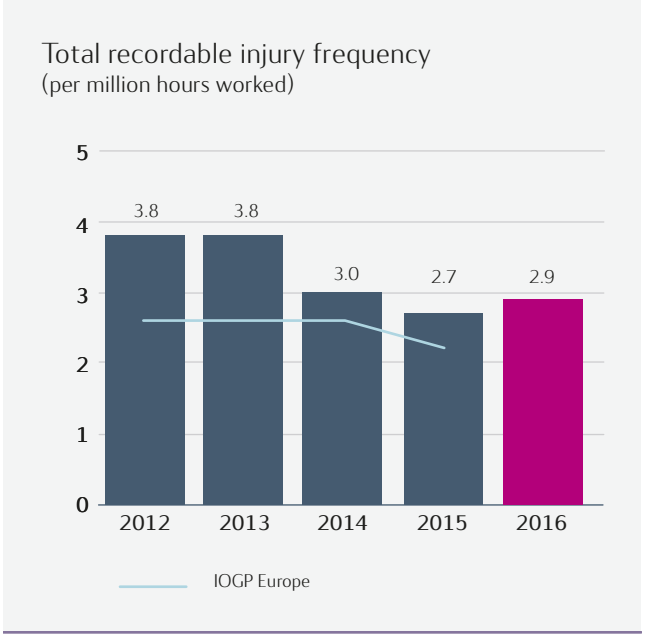
Organisational change activity and efficiency measures are not apparent as causes in Synergi, our reporting system and source of incident information. However, based on the feedback from unions and our pending total activity evaluation, the administration will follow this up further.

Our total serious incident frequency (SIF), including both actual and potential incidents, has increased in 2016, with 0.8 incidents per million hours worked, compared to 0.6 in 2014 and 2015.

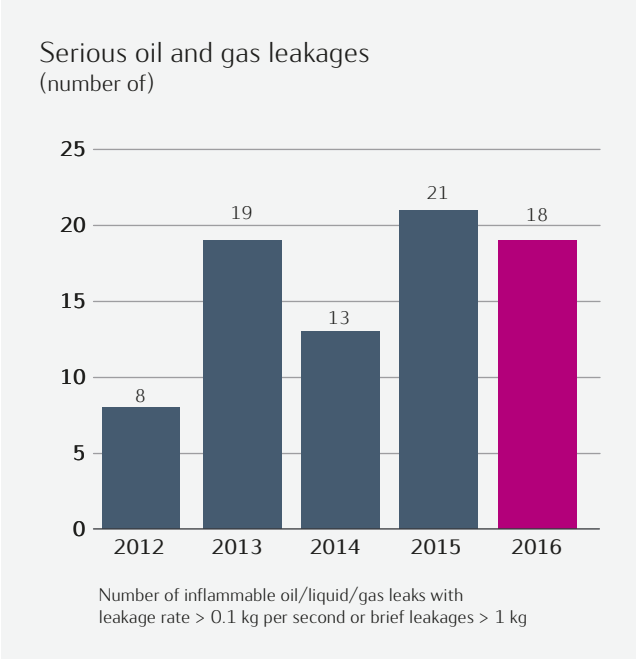
Total and actual serious incident frequency
(number per million hours worked)



Total recordable injuries per million hours worked (TRIF) was 2.9 in 2016, compared to 2.7 in 2015. TRIF for our contractors was 3.1 in 2016, up from 2.8 in 2015, while TRIF for our employees was 2.7 in 2016, up from 2.3 in 2015.



Preventing oil and gas leakages is important to avoid of major accidents. In 2016, the total number of serious oil and gas leakages (with a leakage rate above 0.1 kg per sec) was 18, down from 21 in 2015.



The decline in our safety performance in 2016 follows a period of solid safety improvement. Statoil has implemented a safety performance improvement programme to deal with this development. The main elements of the programme address: risk management, operational barriers, working safely with suppliers, safety leadership and engagement of the whole organisation.

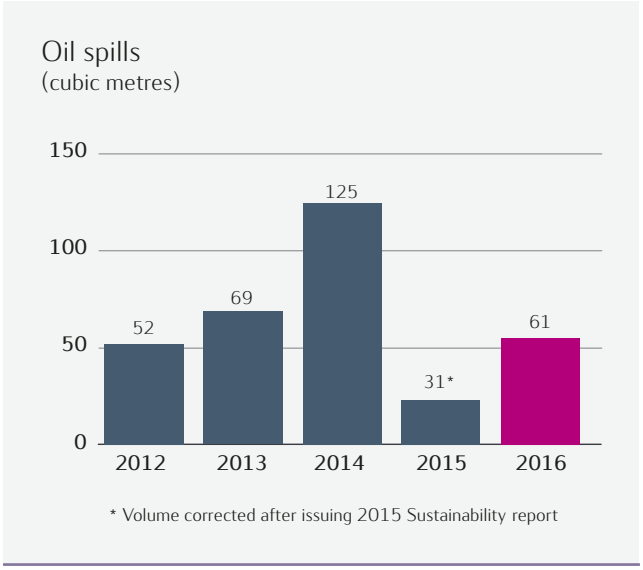
The safety leadership and engagement measures include the I am Safety initiative, launched in January 2017. This aims to encourage all employees to see safety as something that is not just a set of formal rules but a personal responsibility. It describes eight individual expectations to encourage all staff to be engaged, at all times, in the safety of the activities they are involved in, their personal safety and their team's safety, and actively looking for weak signals and areas for improvement and acting on them.

OIL SPILL PREPAREDNESS AND RESPONSE

Oil spills are a risk we need to handle in both our offshore and onshore operations. This is especially important where we are operating within or in the vicinity of sensitive habitats, such as in Arctic waters or where there is the potential to adversely impact the resources on which communities are dependent, such as fish stocks and potable water supplies.

Our performance over the past five years shows a reduction in the number of oil spills per year. For 2016 the number of oil spills was 148 compared to 172 in 2015. However, the total volume of oil spilt increased from 31 m^3 in 2015 to 61 m^3 in 2016. The largest oil spills in 2016 were in Norway. They included a 35 m^3 oil spill from the Mongstad refinery, due to corrosion in a pipe and a 7 m^3 oil spill from a leak in the export pipeline from Troll B.

We have established a global oil spill response system, which includes close collaboration with industry peers and national and local communities. Trained response teams and sufficient equipment are ready to be mobilised when and where needed.



HEALTH AND WORKING ENVIRONMENT

Our employees' health and a good work environment are important for safe and efficient operations. We work proactively to reduce our workers' exposure to physical health risk factors and to manage psychosocial conditions in the work environment. We also assess and monitor possible health effects of our activities on local communities.

The most significant health and work environment risk factors are noise, ergonomics, chemicals and psychosocial conditions.

The total work related illness frequency has declined from 2.3 in 2015 to 1.6 in 2016. Psychosocial risk factors have been actively managed throughout Statoil's efficiency programmes. In the annual Global People Survey (GPS), the overall score for a specific question on how work affects the health of employees, reflected that in general employees consider their working environment to be healthy. The score for 2016 was 4.6 (out of 6) compared to 4.7 in 2015. The GPS is open for participation by all Statoil employees and plays a key role in shaping the working environment, organisation and leadership in Statoil.

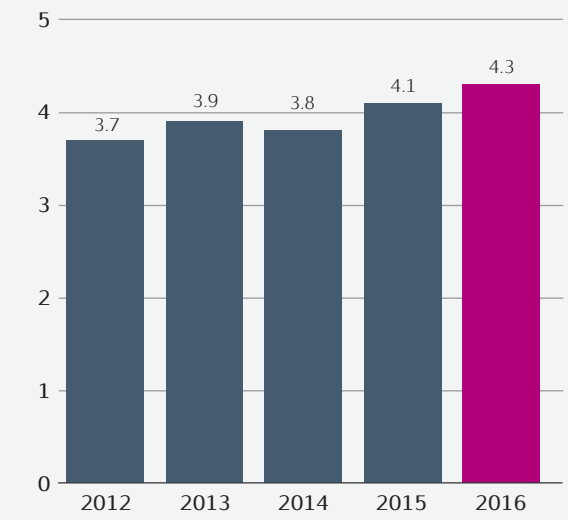
In 2016, a new working environment risk management tool was widely implemented in Statoil. This tool provides leaders, HSE professionals and employee representatives with a readily available risk overview. It also supports better risk prioritisation, communication and follow-up of the issues.

Research and development on health and work environment technology is part of our pro-active approach to the management of health risk factors. In 2016 we continued to fund research into exposure control on noise and chemicals, and research on stroke treatment during evacuation from offshore facilities.

Recent research shows that benzene represents a health risk at lower exposure levels than previously recognised. This has led to the lowering of the regulatory exposure limits in Europe. In 2016 we have strengthened our control of chemical exposure especially to benzene. The key focus areas for further improvements are testing and use of personal protective equipment, implementation of a register of personnel at risk, and improved overviews, mapping and risk assessment of chemical hazards.

Absence due to sickness has increased slightly in Statoil in 2016, but still remains fairly low. We have strengthened our proactive approach, targeting areas in the business with increasing sickness related absence, and improving follow-up of sick-leave.

Sickness absence*
(%)



* Includes Statoil ASA employees only.

SECURITY

Security is an important consideration for the energy industry. At Statoil we aim to understand the security risks and threats we are exposed to and assess them on a continuous basis in order to achieve effective and proportionate security risk management.

In 2016 global security threats manifested into local security incidents which directly impacted Statoil. Major threat trends impacting Statoil to a varying degree included: crime and civil unrest in parts of South America; and the deteriorating security situation in North Africa and associated increase in terror attacks in Europe. The latter reinforcing the terrorism threat around Europe, especially as this coincided with the rise of cyber threats such as ransomware.

The terrorist attack against the Krechba plant in Algeria, in March, highlighted the security situation in North Africa. This was the single security incident with the most significant impact for Statoil during 2016.

Our two-year security improvement programme, established to significantly raise our capabilities and develop a stronger security culture, was completed on schedule in 2015. However, we will continue to implement our road map to further strengthen our security culture and capabilities by 2020. The roadmap includes actions to address specific focus areas such as competence and awareness, working with our suppliers and improving compliance.

We follow international standards of good practice enshrined in the Voluntary Principles on Security and Human Rights. This is described in *Chapter 6: Respecting human rights*

Responding to climate change

RESPONDING TO CLIMATE CHANGE

Energy provision for a low carbon future

The future of energy will be low carbon. We are positioning ourselves to respond to both the challenges and opportunities the energy transition brings.

John Knight,
Executive vice president, Global Strategy and Business Development

Greenhouse gas emissions from the production and use of fossil fuels are contributing to global warming. These emissions must cease to increase as soon as possible and then be significantly reduced if the world is to achieve zero net emissions by the end of this century, as envisioned in the Paris climate agreement. The transition to a low carbon energy future poses fundamental strategic challenges for the oil and gas industry. We must minimise and also abate greenhouse gas emissions from the production and use of oil and gas at a significant scale, while building a commercially viable lower carbon portfolio.

A core element of our business strategy is to embrace the energy transition and embed our response to climate change into the heart of our operations and processes. Our climate roadmap sets the overall direction for the long term with ambitions to 2030 and immediate actions. Statoil aims to lead the industry response to climate change by identifying and managing climate-related business risk, implementing our ambitions to reduce the carbon intensity of our oil and gas portfolio, accelerating our energy efficiency initiatives and building new energy solutions business portfolio.

Working in partnership

We are committed to working with our suppliers, customers, governments and peers to find innovative and commercially viable ways to reduce emissions across the oil and gas value chain. To spur technology development, for example, we have established a research and development (R&D) partnership with GE to find sustainable solutions for the oil and gas industry. We are also exploring ways to work with companies that use our products, since over 90% of the total emissions from oil and gas comes from their use rather than from their production.

We work with governments and other organisations to support climate and energy policies that encourage fuel switching from coal to gas, growth in renewables, the deployment of carbon capture, usage and storage (CCUS) and other low carbon solutions, as well as efficient production, distribution and use of energy globally. Statoil will continue to call for effective carbon pricing as the best tool – on its own or with complementary measures – to achieve emissions reductions on a large scale and in a cost-effective way. We have also teamed up with global peers in the Oil and Gas Climate Initiative (OGCI) to help shape the industry's climate response.

OUR CLIMATE ROADMAP

In 2016, we made a step change in our approach to addressing climate-related business risks and positioning the company as an energy provider for a low carbon future. A cross-organisational process was initiated in March 2016 to develop a climate roadmap that was incorporated into the sharpened corporate strategy approved in December 2016.

A STRATEGY TO CREATE A LOW CARBON ADVANTAGE

Build a high value and lower carbon oil and gas portfolio	Create a material industrial position in new energy solutions	Accountability and collaboration
CO_2 emission reductions of **3 million** tonnes per year by **2030***	New energy solutions with potential to represent around **15-20 %** of capex by **2030**	Continued support for carbon pricing
Portfolio carbon intensity of 8 kg CO_2 per boe by 2030	Up to **25 %** of research funds to new energy solutions and energy efficiency by **2020**	Minimum internal carbon price of **USD 50** per tonne CO_2
Methane emissions from the Norwegian gas value chain below **0.3 %**	Invest **USD 200 million** through our new energy ventures fund	Climate risk and performance embedded into strategy, incentives and decision-making
Eliminate routine flaring by **2030**	Partner in the **USD 1 billion** OGCI Climate Investments	Amplifying our climate actions through collaboration
** Compared to 2017*		

Reflecting the ambitions set by the Paris climate agreement and the risks and opportunities associated with the long-term transition to a low carbon energy future, our climate roadmap defines three key strategic objectives and an action plan to 2030:

Building a high value, lower carbon oil and gas portfolio. Since the energy transition cannot happen overnight, we need to ensure that we are producing the right hydrocarbons and that they are produced as efficiently as possible. That means we focus on developing carbon efficient and high value oil and gas projects. We also reduce greenhouse gas emissions from our own operations through accelerated initiatives to increase energy efficiency and minimise flaring and methane emissions.

Creating a material industrial position in new energy solutions. We aim to provide energy for a low carbon future which means that renewables and other new energy solutions are a core activity for us. We will develop renewables at scale, expanding our already sizeable offshore wind business, while exploring new opportunities in solar and geothermal power. We are also focusing on key low carbon solutions such as hydrogen value chains and leveraging our experience in carbon capture and storage to reduce emissions from the use of oil and gas.

Accountability and collaboration. There are many uncertainties in the transition to low carbon energy but the overall direction is clear. In order to sustain momentum, we are embedding our aims in our decision-making processes, performance incentives and partnerships with governments, peers and research institutes. Our aim is to engage and mobilise our employees and other stakeholders to accelerate our own long-term transformation and that of our industry.

We believe this shift will add to the longevity and resilience of our portfolio and help us reap meaningful returns in the medium and long term as we build up our business in new energy solutions.

MANAGING CLIMATE RELATED BUSINESS RISK

The Paris climate agreement set the ambition of limiting the average global temperature rise to well below 2°C above pre-industrial levels by 2100. This would require a 40 - 70 % reduction in greenhouse gas emissions by 2050, according to the Intergovernmental Panel on Climate Change (IPCC).

While the intention and direction of change is clear, the pace and impact of the energy transition as it unfolds over the next few decades is not certain. It will depend on technology, behaviour, regulations, market dynamics and climate change itself.

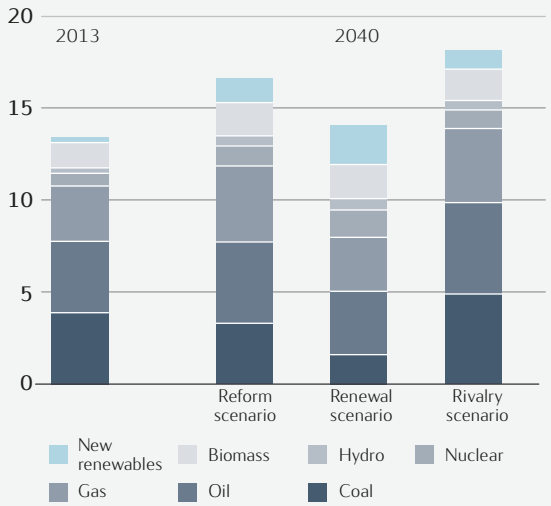
There will also be significant regional differences. Our key European markets are expected to implement stricter regulations and may show faster progress in reducing emissions and transforming the energy system. Many developing markets will continue to see rapid growth in energy demand and emissions reduction might be slower.

These uncertainties are reflected in the three scenarios for the 25 years to 2040 that we have developed in our Energy Perspectives 2016. The *Renewal* scenario reflects a transition that meets the ambitions set by the Paris climate agreement. The *Reform* scenario reflects significantly stricter energy and climate policies than today, but these would not be sufficient to ensure sustainability. The *Rivalry* scenario represents failure to sustain global agreement on goals, with governments relying more heavily on their own energy resources.

The energy transition will take time. As renewables pick up pace, the world will still depend on oil and gas for a sizeable share of its energy demand over the next few decades. Currently oil and gas together account for 52 % of the world's primary energy needs, according to the International Energy Agency (*World Energy Outlook*, 2016). In their 450 scenario (broadly equivalent to a 2°C ambition), that share remains stable until 2025 as gas usage rises at the expense of coal, while oil consumption shows a small reduction. Even in 2040, oil and gas continue to account for 45 % of the energy mix. Our *Renewal* scenario shows a similar picture, suggesting that oil and gas will together account for almost a 50 % share of primary energy in 2040. In our scenarios, the world's primary energy demand continues to increase towards 2040, mainly due to population growth, although the growth in demand is slowed by economic, technological and political factors.

This is why we continue to explore for and invest in oil and gas projects. Production from global oil and gas fields currently in operation is declining at around 5 % a year and is not sufficient to supply future demand, under the defined scenarios. Selecting which resources to develop, and how best to produce oil and gas, will be increasingly important. The world needs producers who can produce oil and gas responsibly, with attention to reducing the CO_2 footprint.

World energy demand 2013-2040
Total primary energy demand
(billion tonnes of oil equivalent)



New renewables include wind, solar, geothermal, and marine power, plus small scale hydro power, biofuels and biomass used for power generation.

Source: Statoil Energy Perspectives 2016

Assessing risks

Both our corporate executive committee and our board of directors frequently discuss the business risks (both upside and downside potential) associated with climate change, including regulatory, market, technological and physical risk factors. We regularly assess how the development of technologies and changes in regulations, including the introduction of stringent climate policies, may impact the oil price, the costs of developing new oil and gas assets, and the demand for oil and gas.

To ensure that we take relevant risk factors into account, we apply tools such as internal carbon pricing, scenario planning and stress testing of projects against various oil and gas price assumptions. In 2016, we made further steps to systematically incorporate climate aspects in all investment decisions.

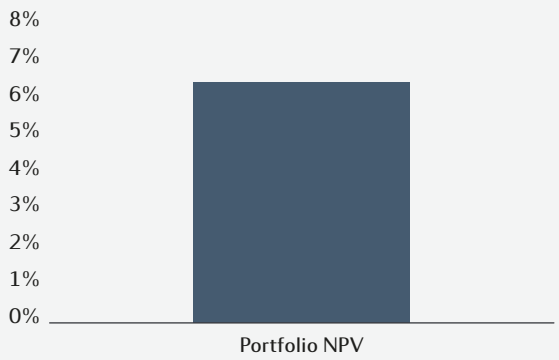
Our business needs to be resilient to a future environment that is likely to bring:

- higher carbon costs and stricter climate regulations across more jurisdictions
- falling demand for some of our core products/markets
- volatile prices and pressure on profit margins
- potentially disruptive technologies that could change our markets

In 2015, responding to a shareholder request, we started to stress test our project portfolio against IEA energy scenarios. In our 2016 analysis, we replaced our own planning assumptions for future oil, gas and carbon prices with the equivalent assumptions in the IEA 450 scenario incorporated in the World Energy Outlook 2016. The analysis covers all accessed acreage, from exploration licences to fields in production, over the lifetime of the projects. Both our own and IEA's price assumptions may differ from actual future oil, gas and carbon prices, so there can be no assurance that the assessment is a reliable indicator of the actual impact of climate change on Statoil.

According to the stress test, the IEA's 450 scenario would have a positive impact of about 6 % on Statoil's net present value (NPV), compared to our own planning assumptions as of December 2016. Different assumptions about oil and gas prices are the main contributor to changes in NPV, rather than carbon price.

Portfolio sensitivity in a two degree scenario (IEA 450 scenario)



The graph demonstrates the effect on NPV of changes in oil and gas prices and CO_2 cost as set out in the IEA 450 scenario. The base case (0%) represents the NPV using Statoil's planning assumptions.

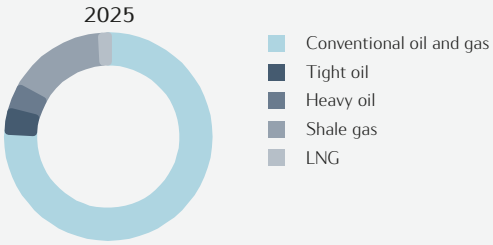
In Norway, where the actual carbon cost is higher than what is assumed in the IEA 450 scenario, we have used the actual carbon cost in our analysis.

Changes to our planning assumptions, as well as changes to the IEA scenarios, will influence the NPV impact in future years' analysis.

The stress test demonstrates that our portfolio is resilient to the IEA's energy scenarios, aligned with our strategic focus on lower carbon, high value projects. The impact varies somewhat between different projects and production segments.

- **Our conventional oil and gas projects in Norway** have a relatively low carbon intensity and are already subject to CO_2 costs of approximately USD 59 per tonne, reflecting the cost of the Norwegian offshore CO_2 tax in addition to EU ETS quotas. Over 60 % of our equity production takes place in Norway.
- **For international projects**, we incorporate an internal price on carbon in our investment analysis for international projects. As a result, a significant increase of the cost of carbon up to USD 140 per tonne of CO_2 equivalent in 2040 (as stipulated in the IEA 450 scenario) would only marginally impact the NPV for these projects.
- **Our projects in shale oil and heavy oil** are less robust towards higher carbon prices due to their higher carbon intensity. To some extent, the greater flexibility in cost and production of shale oil counterbalances this impact in terms of resilience compared to other projects.
- **Our new energy solutions projects** will benefit from stricter climate policies, subsidies and restrictions on emissions.

Forecast equity production of oil and gas
by category, share of total (boe)



We are managing the business risks and opportunities brought by a low carbon future on the basis of the following principles:

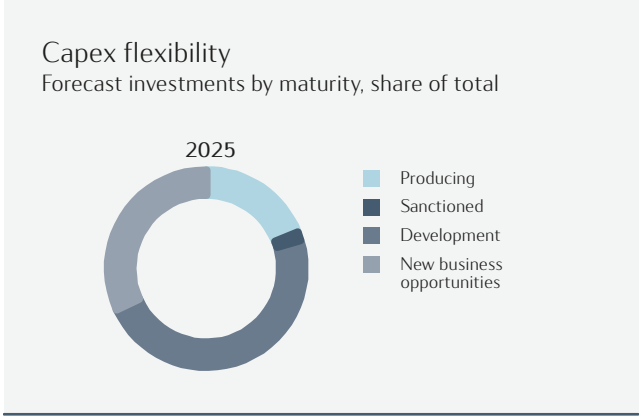
Carbon efficiency: The carbon intensity of our upstream production is currently around 10 kg per barrel of oil equivalent, compared to an industry average of 17 kg[(1)]. We have already set ourselves an upstream target of reducing that to 9 kg by 2020 and we are now pursuing a broader ambition to reduce it to 8 kg by 2030. We aim to maintain a large proportion of low carbon-intensity assets in our portfolio such as conventional oil and natural gas.

Large-scale natural gas production: Gas accounts for 42 % of our equity production. By the end of the century, decarbonisation will require the world to move on from unabated natural gas, but over the next few decades switching from coal (the most carbon-intensive fossil fuel) to natural gas is essential to reduce emissions from electricity generation. This is because natural gas is less carbon intensive than other hydrocarbons when combusted.

Cost efficiency: Our comprehensive efficiency and cost reduction programme, launched in 2013, achieved annual efficiency effects of USD 3.2 billion per year by the end of 2016[(2)], largely through standardisation and simplification. We have significantly reduced the average break-even oil price of both our operated and non-operated project portfolio since 2013.

(1) International Association of Oil and Gas Producers: Environmental performance indicators - 2015 data, November 2016
(2) Adjusted for currency effects

Capex flexibility: We have significant flexibility to adjust our investments over the next few years, allowing considerable adjustments to our portfolio in response to the changing environment. Only a small proportion of our expected investments for 2025 are already allocated and the share of projects for which investment decisions have already been made decreases significantly after 2025.



Adaptation for physical risks: Our facilities are designed to withstand the predicted additional stress caused by climate change, and emergency preparedness and response plans are required to cover extreme weather conditions. Due to our large presence on the Norwegian Continental Shelf rising sea level is expected to be the most relevant risk factor for Statoil arising from climate change.

REDUCING OUR CARBON FOOTPRINT

A significant amount of greenhouse gases is emitted from the development, production and transportation of oil and gas. Statoil's greenhouse gas reporting includes emissions of carbon dioxide and methane. Other greenhouse gases are not included, as these are assessed to be non-material for Statoil.

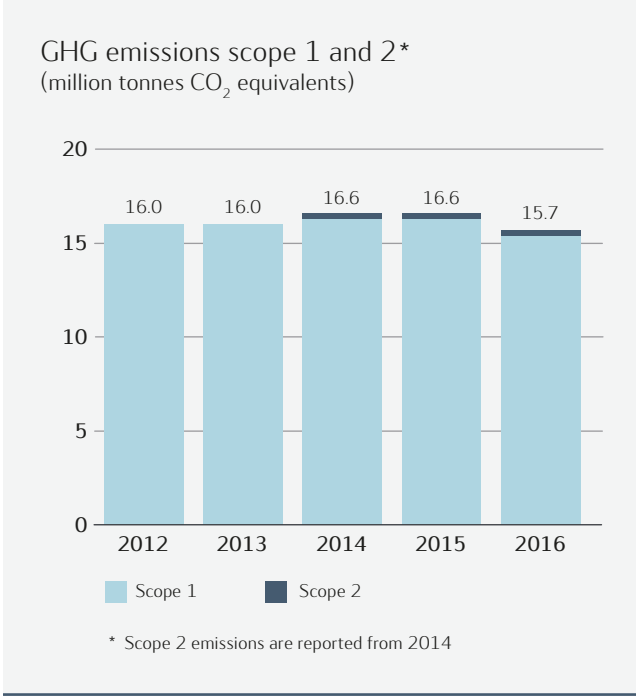
Our direct (scope 1) greenhouse gas emissions decreased from 16.3 million tonnes in 2015 to 15.4 million tonnes in 2016. The decrease in CO_2 emissions was largely the result of turnarounds at our facilities on the Norwegian Continental Shelf and our onshore oil refining and gas processing facilities in Norway and Denmark. Reduced exploration activity, reduced flaring at our Bakken asset, and emission reduction efforts were also key contributors. Methane emissions in 2016 decreased by 33 % compared to emissions levels in 2015. This change is largely due to a change in methodology for the estimation of fugitive emissions for our Norwegian Continental Shelf assets, and updated fugitive emissions measurements for our oil refining and gas processing facilities.

Historically, Statoil has only reported CO_2 emissions for assets where we have operational control. For these assets, CO_2 emissions are reported on a 100 % basis. That means that all emissions are reported, regardless of Statoil's equity ownership in the assets themselves. We will continue to report in this way, but for the first time in 2016, we are also reporting our CO_2 emissions on an equity basis. The equity CO_2 emissions for 2016 were 12.7 million tonnes.

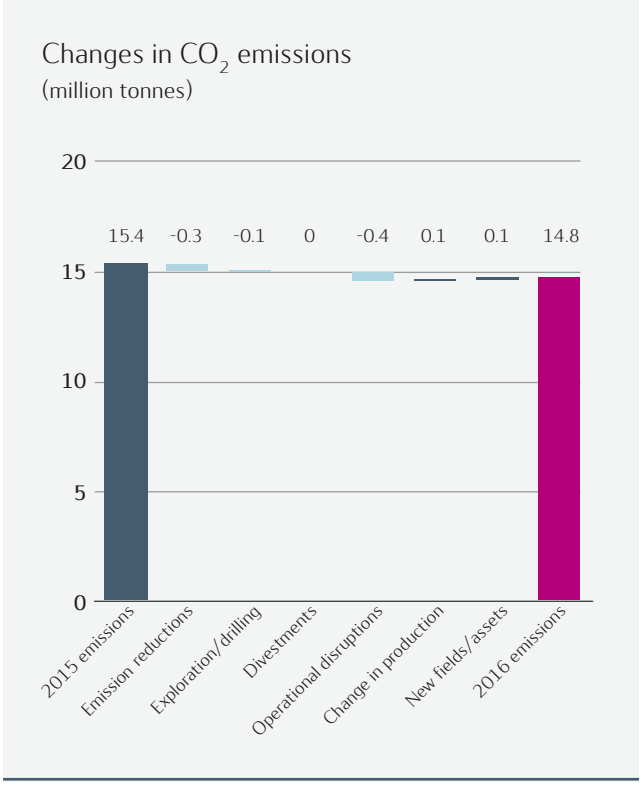
Our aim for reporting on equity CO_2 emissions is two-fold: we want to more closely align our financial reporting with our sustainability reporting and we want more transparency about the sustainability performance for all assets where we have an interest. By focusing on both operated and equity emissions, we are better able to understand our complete emissions footprint. This also helps us to collaborate with operating partners on reducing emissions.

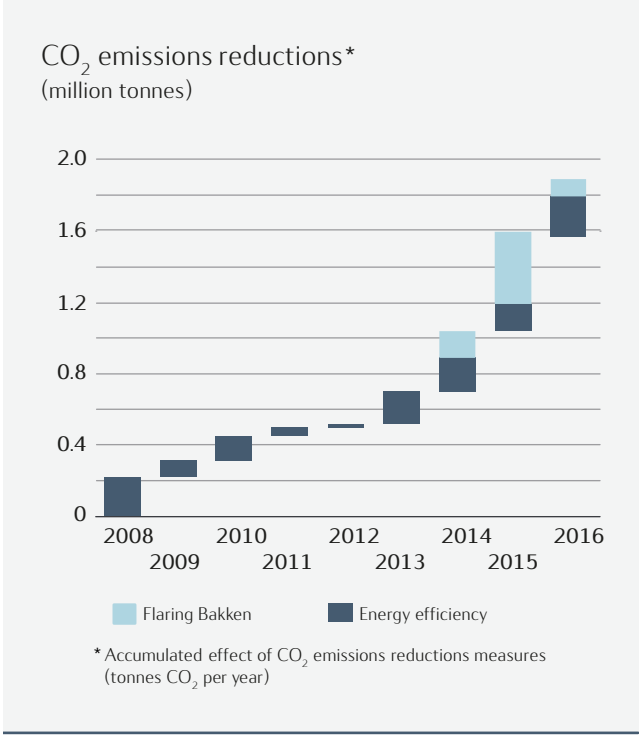
It is important to note, however, that equity CO_2 emissions are closely linked to our economic interest in the upstream and mid-stream assets where we are involved as operator, partner or technical service provider. Changes in total emissions may be a consequence of changes in ownership share, rather than performance.

Our scope 2 greenhouse gas emissions, which include emissions from energy imported from third parties, were 0.3 million tonnes CO_2 equivalents in 2016, using a location-based emission factor. The market-based scope 2 emissions were 2.6 million tonnes CO_2 equivalents in 2016. More information about scope 2 greenhouse gas emissions and emission factors used is available in *Chapter 8: Appendices*.



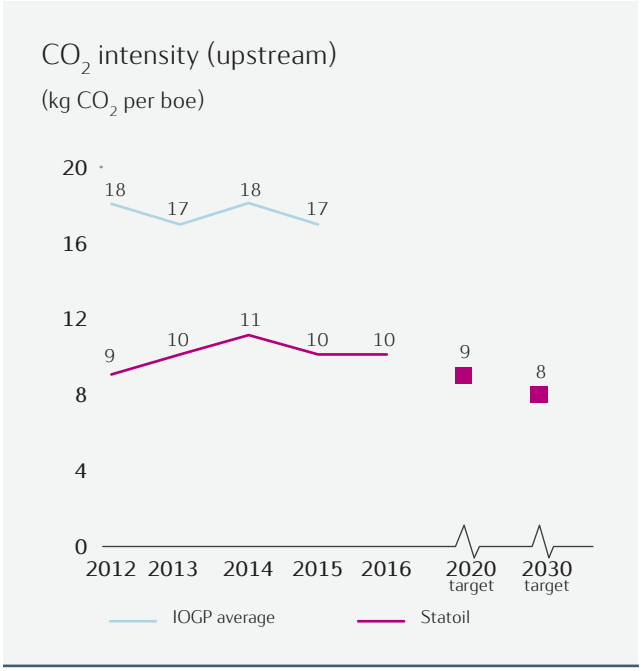
Between 2008 and 2015, we reduced direct CO_2 emissions by 1 million tonnes, largely achieved through energy efficiency measures and flaring reductions. For 2016, our target was to save 220,000 tonnes of CO_2. Through systematic work in our internal energy efficiency network and progress in stopping routine flaring, we managed to implement initiatives accounting for nearly 325,000 tonnes of CO_2. Our reduction target for 2017 is to save another 144,000 tonnes of CO_2. We expect to achieve these reductions through targeted projects to improve energy efficiency and reduce flaring.





We aim to remain an industry leader in carbon efficiency, emitting as little CO_2 as possible per barrel of oil produced.

In 2016, we set ourselves a target to reduce the upstream CO_2 intensity of our Statoil operated assets to 8 kg of CO_2 per boe by 2030. This supplements the target we set in 2015 to reduce the CO_2 intensity to 9 kg by 2020. These targets are based on production and emission forecasts and emission reduction targets for each business area. Our targets are subject to significant uncertainty because they relate to events and circumstances that will occur in the future. Changes in our asset portfolio and production can also affect the result for a particular year.



Our efforts to reduce CO_2 emissions include:

- Improving energy efficiency
- Eliminating routine flaring
- Reducing methane emissions
- Working with users of oil and gas

Improving energy efficiency

Energy use for power and heat generation represents the largest direct source of greenhouse gas emissions from our operations. In 2016, around 100,000 tonnes of Statoil's total CO_2 reduction came from energy efficiency improvements at our onshore facilities in Norway and the Kalundborg refinery in Denmark.

Statoil has research and development (R&D) efforts aimed at development of technologies for improving energy efficiency at existing installations and in the development of new concepts. The energy efficiency improvements are achieved through reducing energy consumption and supplying energy with higher efficiency and lower CO_2 emissions. Through such energy efficiency improvements, we have been able to combine emissions reduction with production efficiencies and cost savings. Key initiatives include improving the energy efficiency of existing gas turbines and gas compressors, reducing water production and processing and developing sub-sea processing concepts with reduced energy demands.

For our offshore operations in Norway we set a target in 2008 to achieve improved energy efficiency by 2020 equivalent to 800,000 tonnes of CO_2 emissions (the so called Konkraft target). This was already achieved during 2015 through the implementation of energy efficiency projects. So we have raised the target to a total of 1.2 million tonnes of CO_2 emissions for the period 2008 to 2020.

Here are some concrete examples of how we have improved energy efficiency in 2016:

- At Tjeldbergodden methanol plant, we reduced emissions by 38,000 tonnes of CO_2 per year by improving operations that reduced steam consumption and fuel gas consumption.
- At Kårstø, together with the operator Gassco, we implemented a new prioritisation between the export pipelines, reducing fuel gas consumptions by 12,000 tonnes of CO_2 per year.
- At Gullfaks, two compressor trains were upgraded with better efficiency gas compressors in the Gullfaks Rimfaksdalen project, resulting in annual savings of 12,000 tonnes of CO_2 per year.
- At the Oseberg Field Centre, changing from continuous to cyclic water injection reduced the average power demand from the water injection system, and resulted in annual savings of 12,000 tonnes of CO_2 per year.
- At Kristin, we installed a new and upgraded check valve to reduce pressure loss in the manifold inlet arrangement, resulting in annual savings of 10,000 tonnes of CO_2 per year.

Notably, in January 2017, Knut Simon Helland, Head of Energy on the Norwegian Continental Shelf, received the Enova prize, in recognition of his efforts to motivate Statoil employees to improve energy efficiency and reduce CO_2 emissions for our operations on the Norwegian Continental Shelf.

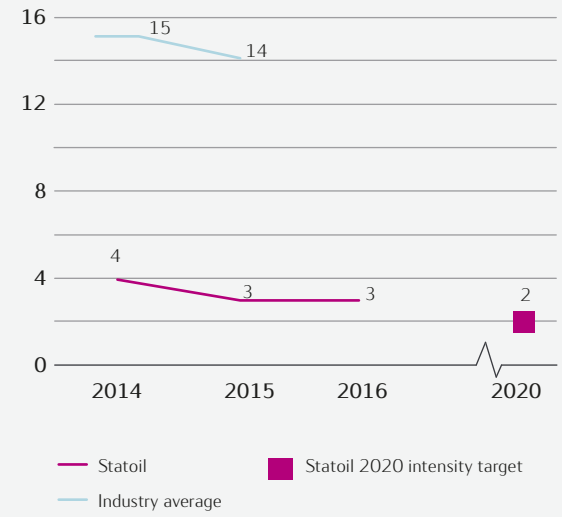
Eliminating routine flaring

One of our biggest successes so far in emissions reduction has come from our efforts to reduce flaring. Indeed, reduced flaring at Bakken (USA) was the most significant contributor to emission reductions in 2016. This contributed around 100,000 tonnes to the total emission reductions. Other flaring initiatives, including closing the sour gas flare at Mongstad in Norway, realised flaring reductions of over 37,800 tonnes.

Statoil's upstream flaring intensity is almost four times lower than the industry average. In 2016, the total mass of flared hydrocarbons was approximately 0.4 million tonnes, and our flaring intensity was approximately 2.5 tonnes of gas flared per 1,000 tonnes of hydrocarbons produced. The industry average was 14 tonnes of gas flared per 1,000 tonnes of hydrocarbons produced in 2015[3].

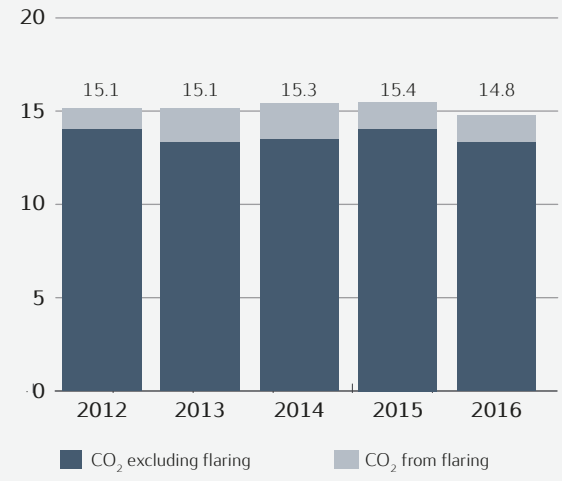
Statoil is committed to reducing routine flaring in our operations. In 2016, 14 % of total flaring in Statoil was routine flaring.

Flaring intensity upstream
(tonnes of gas flared per thousand tonnes of hydrocarbon produced)



In Norway, regulation combined with close proximity to gas infrastructure have been key to eliminating routine flaring. We are working towards a 2020 target of 0.2 %. This was set in 2012 as part of our commitment to the Sustainable Energy Access for All Initiative. We expect to meet this target.

CO_2 emissions from Statoil operated assets
(million tonnes)



In 2016 we updated our corporate requirements to specifically state that Statoil-operated assets must work systematically to reduce all flaring and to eliminate routine flaring by 2030. In

[3]The International Association of Oil and Gas Producers (IOGP) (*Environmental Performance Indicators, 2015 data*).

addition, Statoil is committed to working actively to help achieve the same objective in our partner-operated assets.

At Bakken, onshore in the USA, we have significantly reduced our flaring level over the past few years. We continue to work together with neighbouring partners and technology providers to develop flaring reduction solutions. We coordinate our drilling operations with pipeline construction, to reduce the need for flaring. In 2016, we reduced flaring volumes at our Bakken asset by around 15 % compared to 2015 levels.

Reducing methane emissions

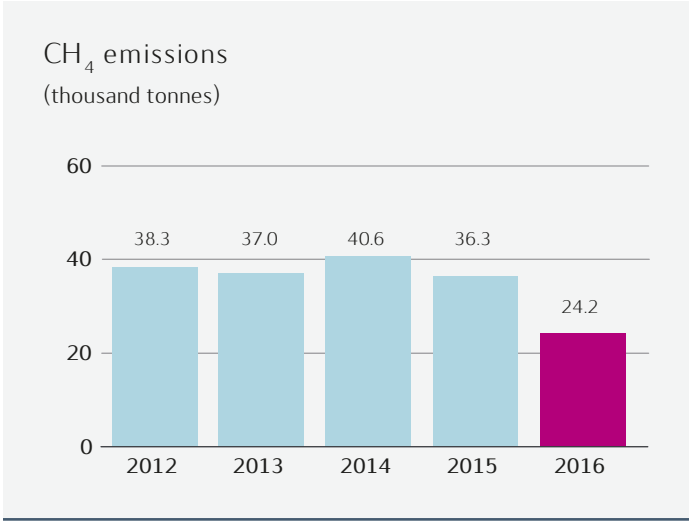
Addressing methane emissions is one of the most effective short term climate measures we can implement. Methane is a powerful greenhouse gas which has a shorter life time than CO_2, but a warming potential that is at least 25 times higher over a 100-year time horizon and at least 72 times greater over a 20-year period. As a result, while gas has a relatively low level of CO_2 when combusted compared to other fossil fuels, leakages or venting at any point in the value chain reduce its climate benefits. Minimising methane emissions is a prerequisite for ensuring that gas is seen as a credible part of a lower carbon energy mix in the future. Regulators are looking more closely at methane emissions from oil and gas activities, including in Norway and the USA, where most of our operated production takes place.

Methane emissions occur mainly as a result of venting or leakages. They can occur from a wide variety of sources, making it challenging to accurately quantify emissions. We are increasing our efforts to track methane emissions throughout the natural gas value chain, from oil and gas extraction, to processing and distribution.

We were a founding partner of the Climate and Clean Air Coalition's Oil and Gas Methane Partnership (OGMP) in 2014. Through this initiative, we are committed to systematically addressing methane emissions and reporting on annual progress.

In 2015, we conducted an extensive review of Statoil's offshore production emissions, in cooperation with the Norwegian Environmental Agency. This showed that direct methane emissions from our North Sea operations are extremely low at just 0.015 % of gas production. As a result, the quantification methodologies used to report methane emissions to the Norwegian regulator have been updated for 2016. The new and far more accurate reporting routines, have resulted in an almost 50 % reduction in some of the emissions estimates.

Methane emissions from our upstream and midstream operations together account for 0.04 % of gas delivered to the market. Analysis based on this data and third party studies of methane data in gas pipelines and infrastructure in Europe indicates that methane emissions in the whole European gas value chain are below 0.3 % of gas delivered to the market. The downstream data estimates are still uncertain, however, so we are working with Norwegian partners and our peers and partners in the Oil and Gas Climate Initiative (OGCI) to obtain higher quality data.



Through our participation in these initiatives, we have systematically assessed the source of direct methane emissions for our offshore assets in Norway. We are applying this learning in the planning of new facilities, and the updating of our governing documents. This is intended to anchor best practice for methane reductions in the design phase.

For our US onshore operated assets, Statoil uses US Environmental Protection Agency (EPA) calculation methodologies and emissions factors to estimate methane emissions for our onshore operated assets, in accordance with federal requirements. These estimates are included in the greenhouse gas annual report that is submitted to the EPA. We have included these estimates in the corporate methane emissions figures for the first time in 2016.

In 2016, we continued with the emission reduction and enhanced preventative maintenance programmes that we initiated in 2015 for our US onshore assets, Eagle Ford, Bakken and Marcellus. We also continued our collaboration in the Environmental Defense Fund's Methane Detectors Challenge to support development and testing of cutting-edge methane sensing technologies that will help us in better methane emissions management.

The main focus of our efforts during 2016 has been the fugitive gas emissions project for the Bakken asset with the aim of minimising storage tank emissions. This has been prioritised as it currently represents the largest source of fugitive emissions for our onshore assets. The project involves re-engineering to optimise our facility design for reduction of fugitive gas emissions. A leak detection and repair (LDAR) programme, in addition to other routine operations and maintenance activities, are also in place to monitor the integrity and functionality of oil and gas processing equipment and emissions sources to ensure that emissions remain low. Fugitive emissions are expected to decline steadily during 2017 until the Bakken fugitive gas emissions project is completed approximately mid-year.

BEING PART OF THE ENERGY TRANSITION

Our sharpened strategy defines renewables and low carbon technologies as a core activity for Statoil, gradually building up to complement our oil and gas assets. We expect to direct 15 - 20 % of our investments towards new energy solutions in 2030 and up to 25 % of our research funds to low carbon themes in 2020.

In 2015, we combined our offshore wind assets, carbon capture and storage expertise and research capabilities into a New Energy Solutions business division, reporting directly to our chief executive. This has brought greater management attention and higher levels of financing. It has also helped to clarify the most promising areas of investment for us over the next few years. The New Energy Solutions business area has a mandate to drive further profitable growth within the renewable business and low carbon solutions.

The global renewables industry is changing fast. Costs are decreasing and competition for the most attractive wind and solar projects is fierce. Improved technology and increased deployment has driven this development, turning wind and solar power into competitive alternatives without subsidies. It is expected that renewables will account for a significant share of the power sector within the next 20 years, especially in our key European and other developed markets.

Statoil's ambition is to grow profitably in this space, building on our growing portfolio of offshore wind farms and expanding into other sources of renewable energy. We are exploring potential in the solar value chain, in geothermal power and in energy storage - looking for new opportunities to deliver attractive returns through innovation and venture activities.

In February 2016, Statoil launched a USD 200 million venture capital fund dedicated to investing in growth companies in renewable energy, making four investments in 2016. In a longer-term perspective, we are also following the development of more immature options such as hydrogen value chains and new CO_2 utilisation technologies.

Offshore wind

Statoil has been actively involved in offshore wind projects for more than ten years and aims to develop profitable projects in selected markets. To date we have invested around USD 2.3 billion, using our offshore experience to develop large-scale wind farms and innovative floating platform technology that facilitates wind power in deep-water areas.

Statoil holds a 40 % share in the Sheringham Shoal offshore wind farm in the UK, which has been in production since 2012. We will take over operatorship of this wind farm in 2017. Statoil is currently operator for the development of the Dudgeon offshore wind farm, also off the east coast of the UK. This is scheduled to start production in 2017, as is Hywind Scotland, the world's first floating offshore wind farm. Statoil has the consent to develop a wind farm in Dogger Bank (UK). In 2016, we acquired a 50 % stake in the Arkona offshore wind farm in Germany and were declared the provisional winner of the wind lease sale in New York (USA).

Offshore wind portfolio

In operation:
Hywind Demo (Norway): 2.3 MW offshore floating wind
Sheringham Shoal (UK): 317 MW offshore wind (200,000 households)

Total renewable energy delivered 2016: 423 GWh
(based on Statoil's equity share)

Under development:
Dudgeon (UK): 402 MW offshore wind, start up 2017
Hywind Scotland (UK): 30 MW offshore floating wind, start up 2017
Arkona (Germany): 385 MW offshore wind, start up in 2019

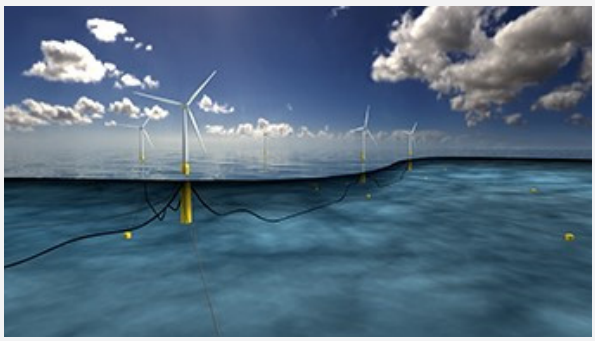
Future opportunities:
Doggerbank (UK): 4,800 MW offshore wind, consented in 2015
Lease for potential offshore wind farm, New York (USA), acquired 2016

Floating innovations

We have tested our unique floating offshore wind technology over the past six years through the single Hywind Demo turbine installed off the west coast of Norway.

Now we are building the Hywind Scotland offshore wind farm which is expected to produce 140 GWh per year and supply 20,000 Scottish households with renewable power. This is the world's first floating offshore wind park with several turbines installed and the next step towards developing a full scale commercial park. Costs have been reduced by as much as 70 % from the demo to Hywind Scotland and cost parity for floating wind with other energy sources is targeted by 2030.

The Hywind technology opens up vast areas of development in places where conventional bottom fixed structures are not feasible. Among these areas are offshore US and offshore Japan.



The Sheringham Shoal wind farm currently delivers renewable energy to more than 200,000 households in the UK. When the Dudgeon windfarm comes on stream in 2017 the combined delivery will be equivalent to more than 600,000 households. When Hywind Scotland, in the UK and Arkona, in Germany come on stream the delivery will increase to approximately one million households.

The market for offshore wind development is maturing, with increased competition for accessing new assets. Contracts are now frequently awarded by auction, pushing the industry to reduce costs and subsequently reduce the need for financial support from governments. We continue to assess future wind prospects in Europe, USA and Asia.

Carbon capture, usage and storage

Statoil has long been a pioneer in carbon capture, usage and storage (CCUS), currently the main technology for decarbonising fossil fuels. We operate some of the largest projects worldwide, capturing and storing more than 20 million tonnes of CO_2 to date at Sleipner and Snøhvit in Norway. The Technology Centre Mongstad has successfully tested both proprietary and open technologies for CO_2 capture from flue gases. These projects have helped to demonstrate the technical viability of CCUS. Our aim now is to contribute to the development of commercial scale CCUS projects.

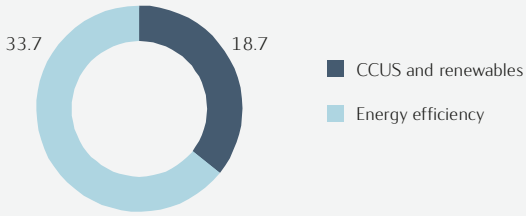
As part of the Norwegian CCUS initiative, CO_2 storage on the Norwegian Continental Shelf is being explored. The potential CO_2 infrastructure may open future business opportunities, including CO_2 based enhanced oil recovery (EOR) or hydrogen production from natural gas with carbon capture and storage.

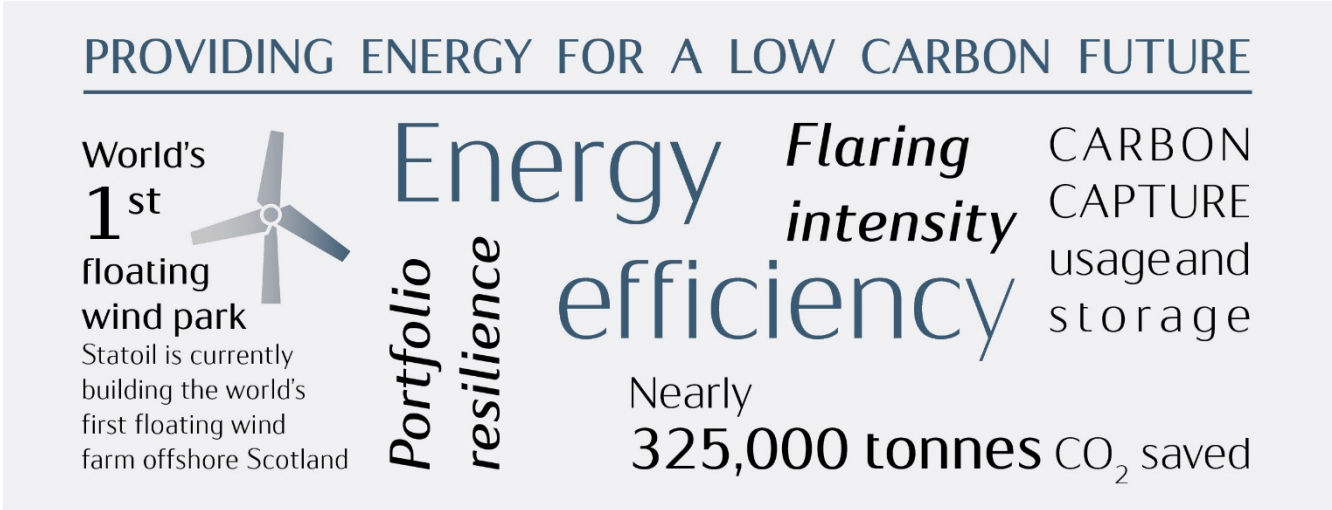
In November 2016, we launched the USD 1 billion Climate Investments partnership with our peers through the CEO-Led Oil and Gas Climate Initiative (OGCI). Around half of the fund will be invested in developing new technologies and business models for commercial-scale deployment of CCUS.

Research and development

Leveraging our research and development (R&D) and innovation capabilities will be key to developing low carbon solutions at an acceptable cost. We are focusing on options to maintain the competitiveness of oil and gas in a low emissions future, with efforts in the area of storage and utilisation of CO_2, decarbonisation of natural gas through hydrogen value chains, and low carbon fuel transportation solutions. We are also exploring synergies between renewables and oil and gas value chains. In 2016, approximately 17 % of our R&D spending addressed energy efficiency, carbon capture and renewables. Now we are making low carbon technologies one of our top R&D topics. By 2020, we will be devoting up to 25 % of our R&D spending to renewables and low carbon solutions.

Low carbon research and development 2016
(operating expenses, USD million)





Managing our environmental impact

MANAGING OUR ENVIRONMENTAL IMPACT

Our efforts to make natural resource use sustainable

Responsible use of natural resources and management of our impact on the natural environment are essential to our licence to operate.

Irene Rummelhoff,
Executive vice president, New Energy Solutions

We are committed to using resources efficiently. We reuse or recycle wherever possible to reduce the impact on the local environment and also save operational costs. We strive to apply best available techniques and best practical environmental options for Statoil operated assets to manage wastes, emissions and discharges and minimise our impact on ecosystems.

ROUTINE DISCHARGES, EMISSIONS AND WASTE

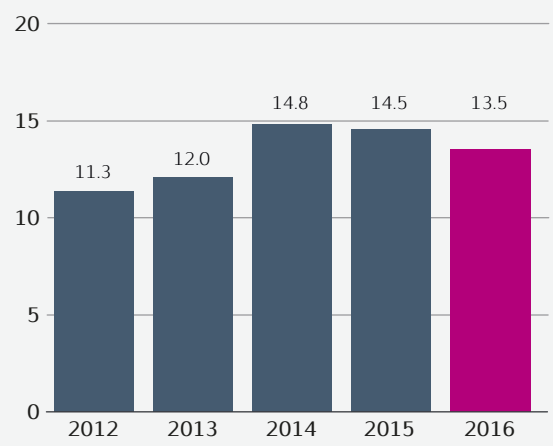
The environmental performance data for 2016 are presented in *Chapter 8 Appendices*. This includes data related to emissions, discharges, chemical use and waste management for the period 2010 to 2016.

For 2016 we performed better than the industry average on all environmental indicators covered in the International Association of Oil & Gas Producers' annual environmental survey published in 2016 (IOGP Environmental performance indicators – 2015 data).

Fresh water use efficiency

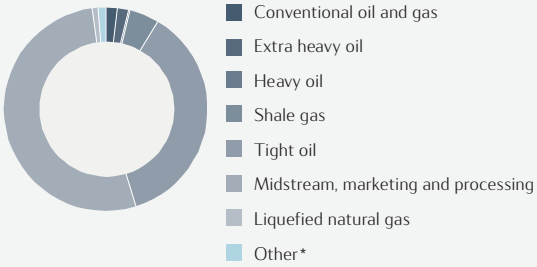
Our fresh water consumption was 13.5 million m^3 in 2016, down from 14.5 million m^3 in 2015, driven by reduced water use in our onshore tight oil and shale gas operations.

Fresh water consumption
(million cubic metres)



During 2016 responsible water management was of particular relevance for our onshore oil sand and tight oil and shale operations in Canada and the USA.

Fresh water per segment
(cubic metres)



*Exploration, new energy solutions and global business services

In our shale operations, we promote the responsible use of water, from sourcing to disposal. Even in areas of adequate water supply, we minimise water usage and prioritise non-potable sources when practical. We seek to protect groundwater sources by securing well-integrity through the deployment of rigorous technical and operational standards. Our approach to water management includes:

- Evaluating local conditions and circumstances and working with local water authorities to find suitable water sources
- Assessing local needs to avoid disruptions to communities
- Conducting environmental evaluations to identify sensitive areas and wetlands
- Utilising water pipelines when possible to reduce truck use and traffic
- Limiting the use of fresh water through measures such as water recycling

Statoil is co-funding a hydrogeological study in the Evergreen Underground Water Conservation District in the Eagle Ford shale formation in the USA. The purpose is to better understand the local water resources, to be able to protect these while possibly expanding industry's access to brackish water.

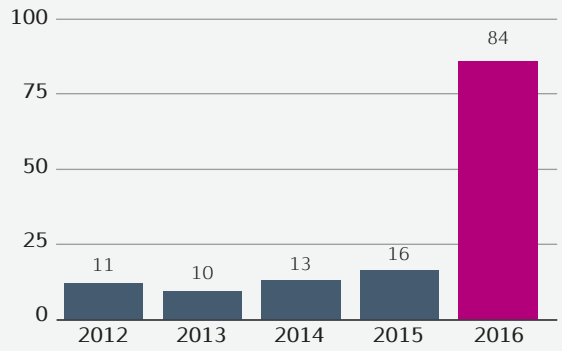
Hazardous waste reporting

A change has been made to the definitions we use for reporting of hazardous waste recovery. Previously treated oil contaminated water was not included in our categorisation of recovered hazardous waste. From 2016, treated oil contaminated water will be included in our waste recovery calculations. The rationale for this change is to align with the way both our peers and the contractors handling our waste are reporting. It also serves to

highlight the company's efforts to treat hazardous waste. The impact on our hazardous waste recovery rate is significant, with a rise from 16 % in 2015 to 84 % for 2016.

During 2016 we saw a 20 % rise in the volume of hazardous waste generated from 309,000 tonnes in 2015 to 438,000 tonnes in 2016. The main contributor to this volume increase was drilling and well start-up activities on the Norwegian Continental Shelf, at locations without offshore treatment facilities for oil contaminated water, requiring this to be sent to shore for treatment.

Hazardous waste recovery rate [1]
(percentage)



[1] The figures from 2012 to 2015 are stated on a different basis to those for 2016

Chemicals management

Our chemicals management programme entails a health, safety and environmental assessment and hazard ranking of chemicals. Together with our suppliers we review the hazard ranking of chemicals with the aim of substituting those with high hazard ranking that cannot be reduced with those of lower hazard ranking.

Onshore operations

In 2016, we used over 17,000 tonnes of hydraulic fracturing chemicals. The fracking chemicals consumption decreased by 39 % compared to 2015. The main driver for this decrease was less drilling and well stimulation activity for all assets. We did not experience any significant loss of containment, spills or contamination associated with the use of such chemicals. We are aware of stakeholders concerns regarding the use of chemicals in hydraulic fracturing processes, and we disclose the chemicals used through FracFocus, a publicly available hydraulic fracturing chemical registry in the USA.

Offshore operations

For our offshore activities in Norway, fluorinated fire-fighting foams have been identified as chemicals of special concern. Through 2016, we continued the substitution of the fire-fighting foams containing fluoro compounds that are used on our fixed offshore installations in Norway with less harmful chemicals.

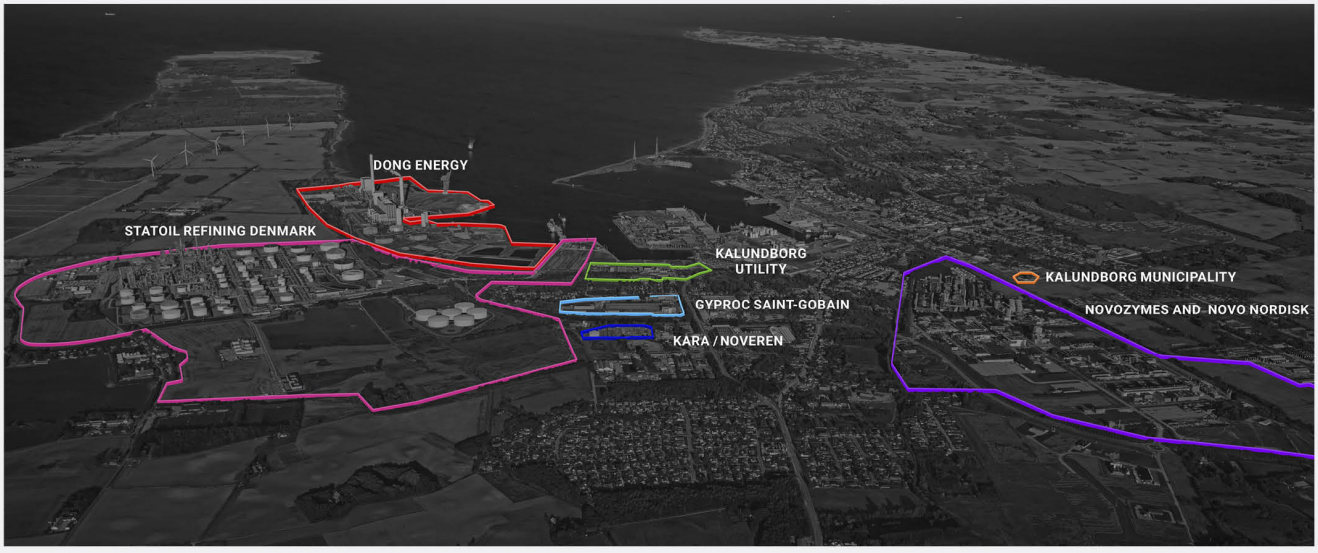
Resource use efficiency

Started in conjunction with the building of a new oil refinery in 1961, the Kalundborg Symbiosis has evolved organically in this Danish municipality over the past five decades. It is recognised as the world's first working industrial symbiosis. Initially, cooperation between different partners evolved due to the high demand for water in refining operations. Now public and private enterprises collaborate to buy and sell residual products, resulting in mutual economic and environmental benefits, as well as local and regional development.

Today Statoil operates the oil refinery making use of the steam produced by Dong Energy, which is in turn provided with cooling water from the refinery.

As of today there are 49 waste and raw product streams in total being shared between the eight parties in the symbiosis.

BAY OF PARTNERSHIP



Courtesy of the Symbiosis centre Denmark

The Kalundborg symbiosis is a success because the companies involved actively invest time and resources in the relationships. Partnerships are based on mutual trust and long term bilateral commitments, creating a cooperative and innovative culture dedicated to finding common solutions for resource efficiency. The Kalundborg Symbiosis is still evolving. Companies are now creating more complex links, growing out of the need to adapt to new pollution control measures.

VALUING AND PROTECTING BIODIVERSITY AND ECOSYSTEM SERVICES

We are concerned with valuing and protecting biodiversity and ecosystems, and we follow precautionary rules and regulations to minimise the potential negative effects of our activities.

We support research programmes to increase knowledge about ecosystems and biodiversity, and we collaborate with industry peers to share knowledge and develop tools for biodiversity management. In addition, we work with our suppliers to minimise invasive aquatic species and reduce the risk of accidental spills related to shipping transportation.

During 2016, our operations located within or adjacent to areas of high biodiversity value included Dudgeon (UK), Leismer (Canada) and Johan Sverdrup (Norway).

For more information on the Dudgeon wind project, see section *Our approach to offshore wind projects*, below.

At Leismer, we continued the implementation of our mitigation and monitoring programme to reduce the effects of our activities on local woodland caribou, which is categorised as a threatened species. We also continued to contribute to research to improve the habitat of the caribou.

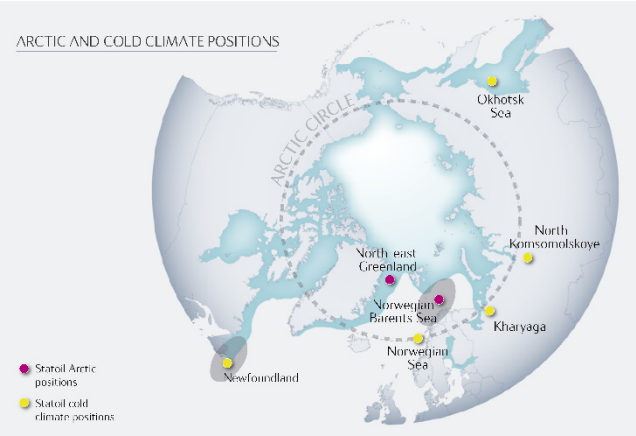
The oil export pipeline from the Johan Sverdrup field has been routed close to shore. Extensive mapping was used to identify the most suitable route through and minimise impact to extensive coral reef areas.

Our approach to Arctic and cold climate operations

Statoil recognises that some of our stakeholders have concerns over oil and gas activity in the Arctic. These focus on the observed impacts of climate change on the Arctic environment, the vulnerability of the biodiversity of the Arctic and more specifically the potential environmental damage to the marine environment from discharges, emissions and oil spill.

Statoil has long-standing operations in the Norwegian Barents Sea, with production, development and exploration activities. We play a key role in providing government revenues, employment and a livelihood for citizens living in northern Norway (see *Chapter 5: Creating value for society*).

For our Arctic and cold climate operations we use collaborative research and technology to identify specific areas that can be value-competitive and where the risks are manageable using known solutions. We do not move faster than technology allows and we focus first and foremost on safe and responsible operations.



Our experience in the Norwegian Barents Sea, where we work in close cooperation with other oil and gas companies, shows that operating conditions in open areas of the Barents Sea are comparable with other areas on the Norwegian Continental Shelf.

We have taken long-term positions in other Arctic and cold climate assets that are in production or being matured for exploration and future development and production. This includes a significant presence offshore Newfoundland which has operating similarities and technology synergies with our core area of Barents Sea South. In the Norwegian Barents Sea Statoil was awarded several operator and partner licences in May 2016 and has plans to start drilling in 2017. In Russia, Statoil has operations onshore in Kharyaga and continues to be part of joint ventures with Rosneft in onshore and offshore licences. Our remaining financial commitments for the licence offshore North East Greenland are being invested for useful scientific research to benefit the wider Arctic region.

Statoil has a steady and dedicated focus on research and development in Arctic environments, working on cost efficient environmental monitoring, effects of sound on marine life, quantifying the physical environment, safe and efficient design and operation and year-round oil spill response capabilities.

Statoil was a founding member of the Barents Sea Cooperation (BaSEC), set up in 2015. It now includes 18 oil and gas companies who are collaborating on exploration activities in the northernmost frontier exploration area on the Norwegian Continental Shelf.

Through this cooperation we aim to develop a solid, unified fact base for the area, share experience and knowledge, and develop innovative safety measures in a way that benefits both the companies and wider society. BaSEC has developed a tool to be used by operators planning exploration activity. This enables identification of relevant risks and defines actions for ice management, environmental management, oil spill response, and the health and working environment. Studies conducted in 2016 included updating of site specific emergency preparedness analysis (SSEPA).

Statoil participates in the MARAMBS project, which is a joint investment project with Total and ConocoPhilips, with financial support from the Research Council of Norway. The project runs from 2016 to 2018 and is designed to help oil and gas

companies avoid damage to vulnerable marine species. A pilot project, completed in late 2015, developed a model to simulate the presence and movement patterns of birds and marine mammals in the Barents Sea and assess how they react to oil spills and underwater noise. This year we have integrated these research results into standard Environmental Risk Assessments (ERA) and procedures for our exploration drilling activities.

The SYMBIOSIS research project was initiated by Statoil in 2010, with financial support from other oil companies as well as the Research Council of Norway. Led by the company Akvaplan-Niva, with close cooperation between several national and international research facilities, the project has developed a combination of ecosystem and oil impact models to understand the possible consequences of an oil spill on the Barents Sea stock of cod, a commercially important fish resource in Norway. The results were delivered in late 2016, providing the most advanced risk and decision support tool for this type of question. We are currently discussing the continuation of the SYMBIOSIS project.

Our approach to offshore wind operations

Statoil currently has interests in four large-scale offshore wind assets in operation or under development. Three off the coast of the UK and one off the coast of Germany. This includes being operator for the Dudgeon wind farm that is currently under construction. We will take over operatorship of the producing Sheringham shoal wind farm in 2017. We were declared the provisional winner of the wind lease sale offshore New York at the end of 2016.

We are pioneering innovation in offshore wind solutions through our unique floating wind concept, Hywind, with a pilot park due to open late 2017 offshore Scotland.

Offshore wind already has a strong foothold in Europe with 15 GW installed capacity, and a global potential to reach more than 100 GW by 2030.

Fixed turbines are ideal for developing offshore wind in water depths of 20 - 50 meters. However, with floating structures, wind power can expand into new deep-water areas around the world - and Statoil is at the forefront of developing this exciting new market.

The most significant potential environmental impact arising from the operation of our offshore wind assets is bird strike by the wind turbine blades.

To manage the potential impact to birds Statoil is transferring technology and experience from our offshore oil and gas operations in Norway. For the Dudgeon windfarm we have selected larger turbines, which means that fewer turbines are needed, thus reducing the number of blades. We have also implemented a new approach for monitoring the impact of offshore wind farms on a sensitive bird species, the sandwich tern. GPS loggers are used to acquire detailed information of flight patterns which will improve the understanding of how the species react to offshore wind infrastructure and activities. In addition, we are looking into different ways of determining bird behaviour, including through participation in the joint industry project on Bird Collision avoidance.

For conventional offshore wind turbines the piling undertaken to install the turbine bases, during construction, represents a potential significant impact for marine mammals. For this reason, we perform piling operations outside of the breeding season and send out acoustic signals that serve to keep the mammals at a safe distance. We have provided training, by UK specialists, for the crew of our support vessels so that they can take on the role of sea mammal observers. During piling operations noise measurements are performed by one of our tug boats and we maintain a detailed log for each piling operation, which is submitted to the authorities, in compliance with consenting requirements.

Creating value for society

As we work together to turn natural resources into energy for people and progress for society it is our values and culture that make Statoil distinct.

Margareth Øvrum,
Executive vice president, Technology, Projects and Drilling

CREATING VALUE FOR SOCIETY

Contributing to sustainable social and economic development

For Statoil to effectively contribute to long term sustainable development and play a role in the transition to a low carbon energy future, we need to be able to navigate the economic cycles arising from oil price fluctuations. Being efficient and profitable is essential to remaining competitive and, therefore, to our role in helping local economies thrive.

Statoil's business activities directly contribute to global, national and local economies in many ways. We pay taxes to governments and dividends to shareholders, procure goods and services, pay and develop employees, and invest in research and technology. We contribute through our social investments, sponsorships and donations. Not least, energy and petroleum derived products play a key role in peoples' daily lives and the energy we supply serves as a catalyst for further development.

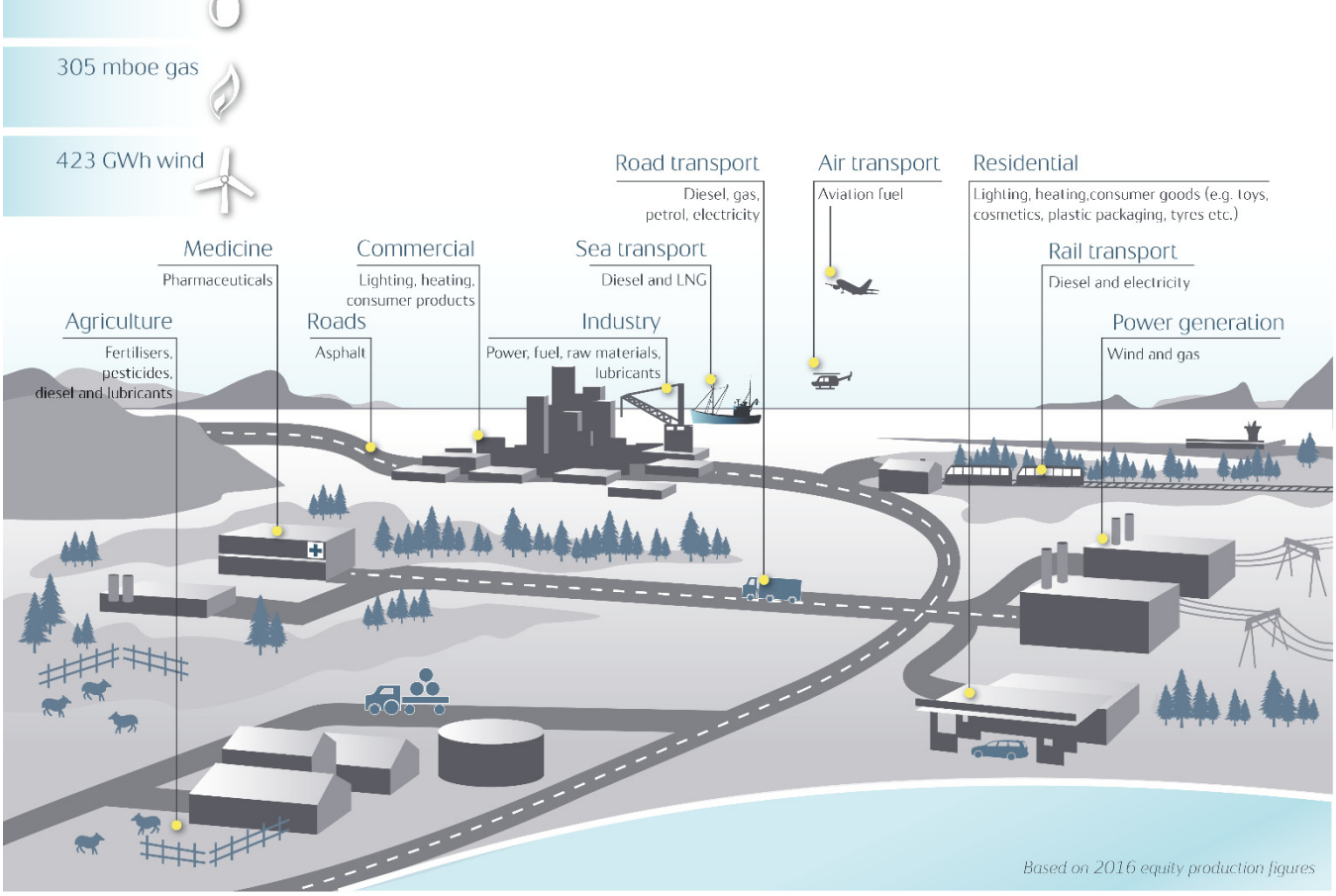
This transfer of payments, products and skills also has a significant ripple effect across local communities and in other industries.

HOW STATOIL'S PRODUCTS ARE USED

419 mboe oil

305 mboe gas

423 GWh wind



THE BUSINESS CONTEXT

The oil and gas industry is cyclical, shaped by fluctuations in the oil price. Oil and gas companies are currently facing particularly challenging market conditions as a consequence of sustained low oil prices since 2014. We are also responding to the long-term challenges and opportunities of the transition to low carbon energy.

This has led to significant adjustments globally in capital allocation and workforce reductions by oil and gas companies, with a corresponding ripple effect on the supplier industry, local economic development and families directly affected by the redundancies.

Statoil has responded to the recession in the industry by cutting both costs and investments. With its dominant position in Norway, the impact on communities has been significant, especially along the west coast, where unemployment has increased and local and county level budgets are constrained. Indirect and direct employment by the petroleum sector in Norway represented 7.5 % of total employment (205,000 people) in 2015. There was a 15 % reduction in the petroleum workforce in 2015 compared to 2014,[4] and further reductions continued throughout 2016.

In order to grow and operate under these challenging conditions, Statoil has cooperated closely with our suppliers and sub-contractors to identify new and smart solutions to reduce costs and counteract cyclical variations in business, as a way of increasing economic viability. We are also continuing to explore and develop new cost and carbon efficient oil and gas fields, while investing more in offshore wind and other zero and low carbon technologies.

We aim to balance local and national expectations with the demands and potential of a competitive global company through our activities.

OUR CONTRIBUTIONS TO SOCIETY

Our most significant contribution to society in terms of monetary value is our purchase of goods and services. This totalled approximately USD 18 billion in 2016 compared to approximately USD 20 billion in 2015. Suppliers also represent a significant part of our overall economic impact, as they create jobs and activities beyond both their own and our company.

We are committed to using suppliers who operate consistently in accordance with our values and who maintain high standards of sustainability performance. Further information on our approach to working with suppliers is available in *Chapter 6: Respecting human rights* and on our corporate website.

The table below provides an indication of the total and local spend on goods and services for selected locations where Statoil has an established presence.

Local procurement per country 2016

	Total spend (USD) (1)	Local spend (USD) (2)	%
Norway	13.53 billion	11.30 billion	84
United Kingdom	1.71 billion	697 million	41
US	1.24 billion	1.16 billion	93
Brazil	471 million	423 million	90
Canada	316 million	303 million	96
Denmark	158 million	98 million	62
Tanzania	73 million	22 million	31

(1) Total spend originating from our offices in a particular location
(2) Based on the country of supplier invoicing address. This does not necessarily provide the full picture of where the goods and services provided are sourced from

Our global procurement from Norwegian registered companies in 2016 was approximately USD 11.45 billion, compared to USD 12.30 billion in 2015. As the largest oil and gas operator in Norway, reduction in capital expenditure in 2016 impacted our suppliers. During 2016, 64 % of our procurement spend was awarded to companies with a Norwegian billing address.

Our income before tax was a loss of USD 178 million in 2016, compared to an income of USD 55 million in 2015.

Our economic contributions to governments decreased from USD 11 billion in 2015 to 6.5 billion in 2016. This included USD 4.6 billion in taxes, USD 1.6 billion in host government production entitlement, and USD 262 million in bonuses, royalties and fees (excluding USD 578 thousand in environmental fees and taxes).

We also contributed through our social investments, sponsorships and donations. These are made to build local capacities, address environmental impacts and promote transparency and respect for human rights.

In 2016, Statoil spent around USD 17.6 million on corporate sponsorships. This includes our Heroes of Tomorrow programme, with agreements in the areas of sports, culture and education. The aim of this programme is to inspire talented individuals to strive for future success. USD 13.9 million of the total corporate sponsorship spend was allocated for capacity building within science, technology, engineering and mathematics (STEM). This includes long-term partnerships with academic institutions and support to science centres. We spent USD 3.7 million within culture and sport and USD 1.9 million on charitable donations. A further USD 4.3 million was spent on social investments, largely to promote vocational competency development (of which USD 521,000 were contractual obligations). A summary table of our social investments is provided in *Chapter 8: Appendices*.

More information about our sponsorships is available on our corporate website. More information on our payments to governments is in chapter 5.4 of the 2016 Annual Report and Form-20F, also available on our corporate website.

[1] http://www.norskpetroleum.no/en/economy/employment

Employment and people development

In Statoil we work together to shape the future of energy in a partnership between the organisation and the individual. We all apply our skills and personal commitment to help Statoil move towards achieving our vision.

The table below provides a summary of the workforce data for the past five years.

Work force data 2012 - 2016

	2016	2015	2014	2013	2012
Number of permanent employees [1]	20,539	21,581	22,516	23,413	23,028
Number of consultants	504	648	1,411	2,122	2,983
Staff, non-Norwegians (%)	19	19	20	21	20
New hires, non-Norwegians (%)	73	73	60	48	41
Total turnover group (%)	4	4	5	4	2
Number of apprentices	271	282	315	343	340
Global People Survey satisfaction score	4.6	4.6	4.5	4.6	4.6

(1) Contractor personnel (roughly 30,000 people) are not included. These are third-party service providers working for us.

Our Statoil Book, including our vision, values, commitments and expectations to people and leadership, together with our Code of Conduct, guides our approach. These help us to value diversity, promote equal opportunities for all employees and create a caring and inspiring working environment.

Further information on our corporate governance can be found on our corporate website.

As part of our effort to reduce cost and enhance organisational efficiency, we have initiated several programmes over the past few years designed to meet the target of saving USD 2.5 billion per year.

The estimated staff reductions indicated a total workforce in the range of 20,700-21,100 by the end of 2016. A strong and sustained commitment to efficiency among leaders and employees across the company resulted in a staffing level comfortably in this range and the organisational efficiency programmme was discontinued in 2016. From 2017 organisational efficiency improvement will be part of the continuous improvement process in our business areas.

We collaborate with employee representatives and trade unions on organisational change processes and we strive to find solutions that are satisfactory both for our employees and for the company. In 2016, we prolonged the temporary collaboration forum set up in 2015 with trade unions and safety delegates in Norway specifically to engage in the organisational efficiency programme and the restructuring programmes. In addition, the European Works Council continues to be an important forum for collaboration between the company and our employees.

Under a common framework, we have relied largely on the internal job market to find new employment opportunities and voluntary measures such as severance pay and early retirement.

In our annual Global People Survey (GPS), which addresses issues relevant to employees' well-being and performance and serves as an important basis for organisational improvement work, employees reported an average overall job satisfaction score of 4.6 on a scale from 1 to 6 (6 being the highest). This is the same score as in 2015, reflecting continued enthusiasm for working with Statoil.

Information about how we manage the psychosocial impact of restructuring and redundancies is provided in *Chapter 2: Safeguarding people communities and assets*

We are committed to the professional development of our employees and encourage them to continuously build new skills and share knowledge. Through our corporate university and our internal job market, we provide challenging and meaningful opportunities for deployment, learning and development.

Over the past few years, we have replaced a substantial number of our classroom courses with more flexible forms of training such as e-learning and targeted on-the-job activities. The objectives have been to increase the availability, impact and efficiency of our learning activities.

Average training days per employee [1]

	2016	2015	2014	2013
Classroom course days	3.2	2.8	3.3	4.8
E-learning participations	2.6	3.0	2.2	2.0

(1) Internal learning activities

Our corporate university enables our people to build the competence we need to deliver safe and secure operations as we develop our business portfolio to generate high value with a lower carbon footprint.

The corporate university has six strategically aligned academies: the Exploration Academy, the Leadership Academy, the Operations and Maintenance Academy, the Safety, Security and Sustainability Academy, the Technology Academy and the Commercial Academy. This academy structure was implemented during 2016, and our strong focus on people development and offering exciting learning programmes has resulted in an increased activity level compared to previous year. Our ambition for 2017 is to increase learning activity level further to support the development of our people.

It is Statoil's ambition to be the most attractive employer in our key talent markets. In 2016, we recruited 48 graduates into core competence areas. Our annual intake of apprentices reflects our

long-term commitment to the education and training of young technicians and operators in our industry. In 2016, we awarded 132 apprenticeships, of which 45 were to women. The total number of apprentices at year end was 271 (including 81 women).

In 2016 we maintained our ranking as number one amongst engineering students and professionals in the Norwegian Universum Employer Attractiveness ranking.

Local workforce

We are an international company with an international workforce. In the countries where we operate, we are committed to recruiting locally and providing training opportunities that build local capacity and skills. Our commitment to local recruitment is reflected in the share of local employees in our main countries of operation.

The share of local employees in the UK is lower than in other countries in the overview. This is because we have a higher proportion of expatriates who are assigned to projects managed by our business partners and suppliers that use the UK as a base.

We use expatriates instead of local hires when there are particular business needs or individual career development reasons. Expatriates comprise a small proportion of the local workforce. We expect our expatriates to work with local leaders to ensure a transfer of learning and competence, and we focus on identifying and developing local replacements or successors for the expatriates.

Local workforce 2016

Country	Number of local employees (1)	Number of local managers	Share of local employees (%)
Brazil	253	45	91
Canada	304	63	94
Denmark	319	33	98
Norway	17,502	1,765	100
South Korea	0	3	0
UK	324	43	70
USA	835	149	94

(1) Local employees includes local managers. They are employees who work in the country where the Statoil subsidiary that has formally employed them, is registered. The table includes countries where Statoil has more than 100 employees is the operator for production or processing activities in addition to South Korea a key hub for fabrication work for our ongoing projects

OUR IMPACT IN KEY LOCATIONS

Norway – our core

The most significant contribution that Statoil makes in a single country is in Norway, where we have over 85 % of our workforce and over 60 % of our annual production.

Despite the cyclical downturn that has significantly affected our suppliers and employees, we have continued to invest in Norway in 2016. Our most important development projects are Johan Sverdrup located off the west coast of Norway, and Aasta Hansteen and Johan Castberg, located in northern Norway. For Johan Castberg, the ambition is to select the concept in 2017, Aasta Hansteen and Johan Sverdrup were formally approved by the Ministry of Petroleum, in 2012 and 2014 respectively.

Johan Sverdrup

The Johan Sverdrup oil field is one of the five biggest on the Norwegian Continental Shelf. It is currently under development and will be one of Norway's most important industrial activities over the next 50 years, creating significant value in Norway. The first phase can provide some 51,000 man-years of work in Norway during the development phase and 2,700 man-years during the operations phase. The majority of the development activity will be undertaken during 2016- 2018.

By the end of 2016 the value of contracts awarded for the Johan Sverdrup project was USD 6.55 billion, including 70 % awarded to Norwegian registered companies.

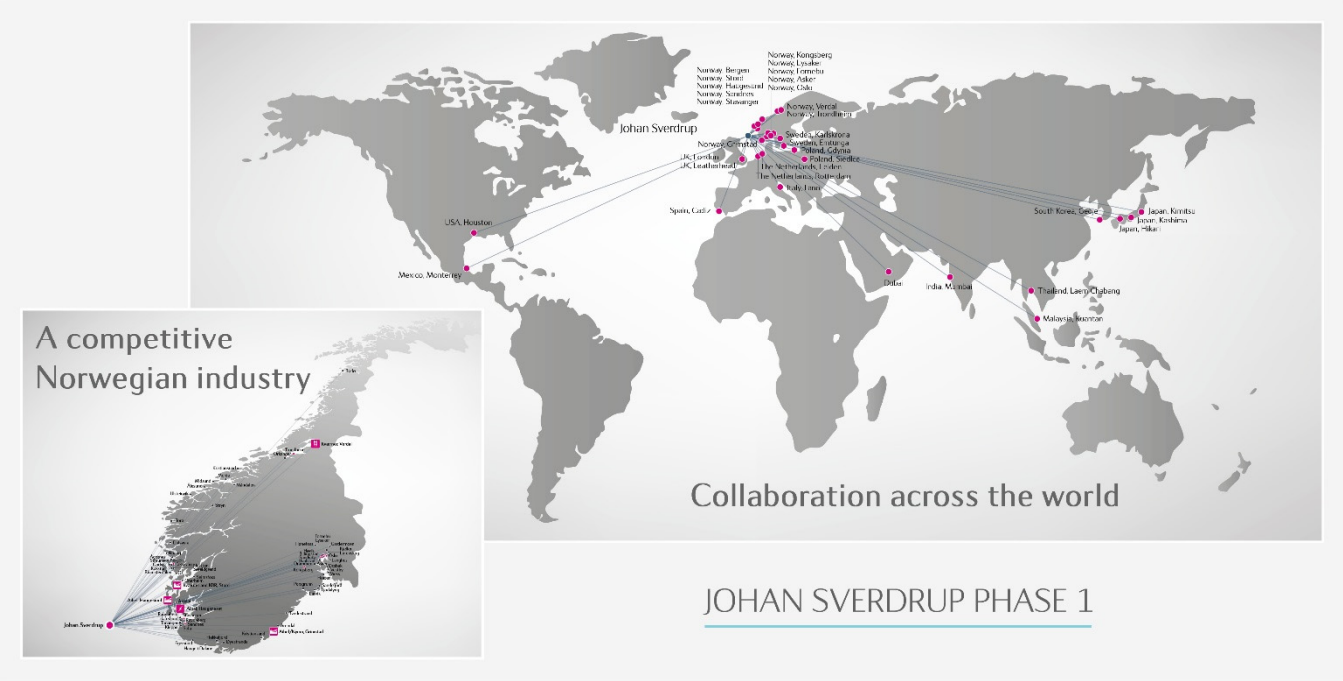
The development project is a complex puzzle with activities spread all over the world. The supply chain involves 150 main contractors with drilling rig, construction sites and installation vessels coming from across Europe and Asia. An example of this complexity is the three jacket contracts awarded to the Norwegian registered company with Kværner in Verdal, with a combined value of USD 536 million, part of which is distributed in Europe (33 % of contract value) and Asia/Middle East (12 % of contract value).

More information on Johan Sverdrup can be found on our corporate website.

Northern Norway

Statoil is the largest operator in northern Norway today, having set up operations in Harstad in 1976. We operate the Norne oil field and the Snøhvit gas field which came on stream in 1997 and 2007 respectively, the Aasta Hansteen field which will go into operation in 2018, and Johan Castberg, the largest oil field yet to be developed on the Norwegian Continental Shelf. Statoil has to date drilled 78 of the 130 wells in the Barents Sea, and we are planning to drill five to seven more wells in 2017.

Building a local supply chain is important for our own success. It also contributes to local industry and competence development in a region where there are high expectations around local content, with the aim of providing jobs and developing the economy. The socio-economic impact studies for Snøhvit clearly show the positive effects we have brought, with the establishment of new companies, upgrading of schools and reversal of the negative population and employment trends in the host town Hammerfest.



We have promoted north Norwegian participation through supplier development programmes that are designed to boost local companies' ability to qualify for tender processes, and procurement strategies that facilitate local participation with global suppliers. We are currently evaluating the LUNN programme, where we worked with Innovation Norway and a group of partner companies to strengthen the supplier and vendor network in the region. The programme ran from 2008 - 2016 and we are now working out how best to take it further.

The Aasta Hansteen field, which will be operated from Harstad with a supply base in Sandnessjøen, is expected to bring investment of USD 155 million into the region by 2018. Early estimates for the development phase of Johan Castberg indicate value creation for northern Norway of USD 202 million. For the operation phase, it is estimated that for a normal year of operation Johan Castberg and Asta Hansteen will together generate over 480 man-years of work for people in the region.

In addition to working with suppliers, Statoil cooperates with several educational institutions to build capacity and motivate students to work in the oil and gas industry. We are also focusing on supporting and boosting cooperation with northern Norway's other big industries: fish farming, fisheries and tourism.

UK – energy diversity

Statoil's operations in the UK have been growing in recent years, despite the downturn. Our Mariner heavy oil development is one of the largest projects currently under development on the UK Continental Shelf. First oil is scheduled for 2018 and the field will provide value over a period of 30 years.

In 2016 the Mariner floating storage unit arrived at the field, subsea pipelines were completed and the world's largest jack-up drilling unit commenced drilling of production wells. The final components, the topsides modules for the production platform, are nearing completion in South Korea and are scheduled to be installed at the Mariner field in summer 2017. The jack-up unit's drilling supports around 500 local jobs, while long-term operations will support a further 700. Contracts worth over USD 1.36 billion have already been awarded to the UK supply chain.

Statoil is also playing a key role in the development of offshore wind in the UK. We have interests in three large-scale conventional wind projects off the coast of the UK and operate the Dudgeon wind farm that is currently under construction. In 2017 we will take over operatorship of the Sheringham Shoal offshore wind farm. This will be our first operatorship of a producing offshore wind farm. From 2017, we will, together with our partners supply over one million UK homes with renewable energy, helping to decarbonise the UK power supply.

The Dudgeon offshore wind development has already generated ripple effects in the region, with a key supplier setting up a local assembly and blade manufacturing plant in Hull. During the operations phase it is estimated that Statoil's wind farms will support approximately 100 direct and 350 indirect employment opportunities.

Brazil – key international player

Generating local value has been key to Statoil's successful expansion in Brazil over the past 15 years. We are the largest operating international oil company in the country, operating the Peregrino field, where we have 60 % local content. That achievement has brought significant new opportunities in 2016.

We acquired Petrobras's share of a licence in Brazil's highly prolific Santos basin, including a substantial part of the Carcará oil field, one of the largest discoveries in the world in recent years. Statoil has committed to delivering 35 % local content for

the exploration phase and 30 % for the development phase for the Carcará oil field.

This year we have drilled successful appraisal wells in the BM-C-33 license and taken over the operatorship for the license, with local content commitments of 40 % for the exploration phase and 55 % for the development phase.

A final investment decision has been made for Peregrino phase 2, where the local content commitment in the development phase is 38 %. The future development and production of these fields will generate long term value for Brazil in terms of job opportunities, tax payments, procurement activities as well as local industry development. Statoil's contribution to Brazil's oil production in 2016 was 2.5 %.

USA – delivering domestic gas

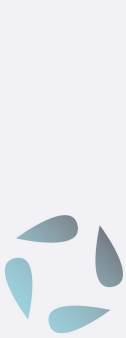
Statoil will celebrate its 30-year anniversary in the USA in 2017. We are currently an operator in three of the leading shale plays - Bakken, Eagle Ford and Marcellus.

The development of shale gas and tight oil reserves in the USA has been transformational. For instance, the USA has evolved from importing gas to having self-sufficiency in domestic shale gas for the next 100 years[5]. Statoil has played a role in developing these resources to the benefit of many, including cities such as New York that are powered by Marcellus shale gas.

The sustained low oil and gas price environment, however, has required producers, suppliers and service companies to become more efficient. This has also had an economic impact on state and local governments. Statoil adjusted to market conditions by reducing operational activities and restructuring its US organisation. As a result, we have realised efficiencies and continue to invest. We were able to drill and complete more wells in 2016 than in 2015, and to reduce the average time required to complete from 31 to 12 days. These efficiency efforts have also reduced our use of energy, chemicals, water and other inputs.

As a global company, Statoil standards may surpass local regulatory requirements. In the USA, we conduct environmental and social impact assessments, for example, and are guided by our Shale Operator Commitments. Given the similarity in activities stakeholders may not distinguish between multiple operators in any one shale play. Statoil is one of the smaller onshore operators in the USA and we use many of the same service companies and vendors as our peers. We therefore focus on addressing cumulative impacts and work very closely with industry through organisations such as the South Texas Energy and Economic Roundtable (STEER), to identify, address and respond to stakeholders' concerns.

Economic value distribution 2016



SUPPLY CHAIN

USD 18 billion

PAYMENTS TO GOVERNMENTS

- Income tax
- Host government entitlements (value)
- Bonuses
- Royalties and fees

USD 6.5 billion

EMPLOYEES

- Salaries
- Pensions
- Payroll tax
- Other compensations

USD 3.9 billion

DIVIDENDS PAID

USD 2.78 billion

SOCIAL INVESTMENTS, SPONSORSHIPS AND DONATIONS

USD ≈24 million

[5] https://www.gpo.gov/fdsys/pkg/CHRG-113shrg80132/html/CHRG-113shrg80132.htm

Respecting human rights

Respecting human rights is essential for our legitimacy as a company

Eldar Sætre,
Chief executive officer

RESPECTING HUMAN RIGHTS

The foundation for equitable business

The oil and gas industry affects the lives of many people through its everyday activities. We aim for that interaction to be conducted with respect for each individual's human rights. Our approach starts with the rights of the thousands of people working for us, directly and in our supply chain. They need to be treated fairly and have a safe, healthy and secure working environment. Our approach extends to respecting the human rights of individuals in communities impacted by our activities and affected by our security arrangements.

We recognise that, due to the nature of our global oil and gas business activities, there is the potential for adversely impacting human rights:

- We are dependent on a global and complex supply chain.
- We operate in countries where legislation and regulation for protection of human rights may not be robust or properly enforced.
- Our activities at times have the potential to directly affect the lives of individuals in local communities and members of vulnerable groups who live or work where our activities take place.
- We sometimes operate in areas where we are required to use security providers to protect our workforce and assets.

In line with Statoil's long-standing commitment to respecting human rights, the company launched its first stand-alone human rights policy in September 2015, inspired by the UN Guiding Principles for Business and Human Rights (UNGP). A third party human rights gap analysis, conducted in 2015, confirmed that Statoil had good building blocks in place to support effective policy implementation, but indicated that a more systematic approach and clearer processes were needed to ensure an holistic integration across the business. Accordingly, in 2016, we have focused on further operationalising Statoil's human rights policy. This work will continue in 2017.

Our human rights policy is available on our corporate website.

OPERATIONALISING OUR HUMAN RIGHTS POLICY

We have reviewed Statoil's risk and impact assessment processes and tools, scoped around the key elements included in the UNGP – due diligence, training and remedy.

We try to find meaningful ways to ensure we understand and take into consideration the views and concerns of local stakeholders, involve them in decision-making processes, and avoid infringing on their rights. We have identified good practices and improved the tools we use to support business area, country and project risk management.

Implementing a company-wide commitment to respect human rights requires continuous training and awareness-raising, in order to embed good practices throughout the organisation. To this effect, we have created additional human rights training materials and are in the process of producing comprehensive guidelines to support the in-person training of management and country office teams. In addition, a Statoil human rights e-learning programme has been launched which is available to all staff and hired contractors. During 2016, over 3,000 people have registered for the human rights e-learning training.

We also recognise our responsibility to provide or cooperate in providing appropriate remediation, including, where relevant, running our own grievance mechanisms, developed on the basis of the UNGP's effectiveness criteria. Such channels enable people to raise concerns regarding potential or actual adverse human rights impacts and provide for a transparent process for follow-up in the event that we cause or contribute to adverse human rights impacts. For our extended supply chain, our Supplier Declaration also states that workers must have access to effective grievance mechanisms.

Our corporate internal and external channels for raising concerns and complaints are described in *Chapter 7: Conducting our business with transparency and integrity*.

The Human Rights Steering Committee (HRSC), set up in 2015 to oversee the development and implementation of Statoil's human rights policy, has closely followed the execution of our human rights implementation plan. It has also held discussions exploring Statoil's response on cases linked to our business activities and our salient human rights issues. The HRSC has also provided guidance towards Statoil's reporting including for the first time preparation of the UK Modern Slavery Act Statement and for the ongoing analysis of the future UK Gender Pay Gap reporting requirements.

Statoil continues to work on joint industry efforts through IPIECA, the global oil and gas industry association for environmental and social issues, to develop tools and share good practices for managing human rights issues appropriately. We also engage with Shift, an external human rights advisory organisation, to provide support with training and handling of country specific issues as required.

Human rights focus areas

There are three broad focus areas for human rights for Statoil's activities. These are:

- Labour rights and working conditions for our workforce and our suppliers.
- Respecting human rights in security arrangements.
- Respecting human rights of individuals in communities.

Our approach to securing a healthy, safe and secure working environment is described in *Chapter 2: Safeguarding people, communities and assets*.

LABOUR RIGHTS AND WORKING CONDITIONS

Statoil workforce

The very first principle listed in our human rights policy is to treat those who work for us fairly and without discrimination.

We respect our employees' right to freedom of association and thereby their right to negotiate and cooperate through relevant representative bodies.

The specific ways in which we involve our employees and/or their appropriate representatives in business and organisational issues may vary according to local laws and practices in specific geographical locations.

Nevertheless, we work on the principle that timely and effective consultation with workers and other relevant parties helps to minimise negative impacts from operating changes on workers and related communities. Consultative practices that result in good industrial relations help provide positive working environments, reduce turnover, and reduce operational disruptions.

We address these issues in relation to Statoil's operational efficiency programme in *Chapter 2: Safeguarding people, communities and assets*.

We are an international company committed to recruiting a local workforce and promoting diversity in the countries where we operate (see *Chapter 5 Creating value for society*). As a result, we know that diversity encourages new and different ways of thinking and is crucial for our successful and sustainable international growth.

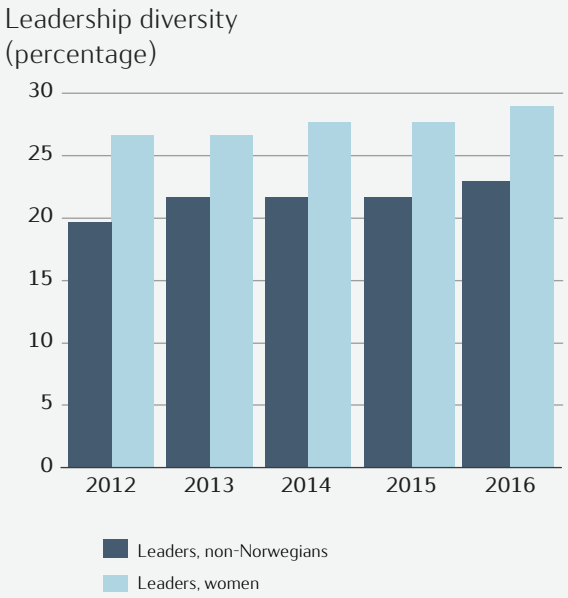
In 2016, we continued to focus on increasing the number of women in leadership and professional positions and on building broad international experience in our workforce. We continue to strive, through our development programmes, to increase the number of female leaders.

At the end of 2016, the percentage of women in management positions was 29 %, compared to 28 % in 2015. We are committed to maintaining a positive trend in 2017.

Workforce data 2012 - 2016[1]

	2016	2015	2014	2013	2012
Staff, women (%)	31	30	31	31	31
New hires, women (%)	34	35	33	34	30
Earnings, female:male (%)[2]	98	98	98	98	98
Members of trade union (%)[2]	73	70	68	66	65

(1) Contractor personnel (roughly 30,000 people) are not included. These are third-party service providers working for us.
(2) Statoil ASA (employees in Norway) only.



We reward our people on the basis of their performance, giving equal emphasis to what we deliver and how we deliver. Our approach is transparent, non-discriminatory and supports equal opportunities. It is the ambition that given the same position, experience and performance, our employees will be at the same remuneration level relative to the local market.

The results from the Global People Survey (GPS) for 2016 indicate that employees strongly agree that there is zero tolerance for discrimination and harassment in Statoil. The GPS score for 2016 was 5.1 (6 being the highest), at the same score as for 2015. However, Statoil has procedures in place for reporting and handling cases as they arise.

For further information on reporting and handling of cases see *Chapter 7: Conducting our business with transparency and integrity.*

Supply chain

In 2016, we have focused specifically on strengthening our processes and on initiatives to raise awareness about human rights in our supply chain.

We have fine-tuned a risk-screening tool that considers geographic risk factors combined with type of procurement activity. This helps us understand how supplier or sub-supplier activities, performed at a specific location, may entail exposure to human rights infringements, particularly in relation to labour rights and working conditions. The outcome from the tool forms the basis for defining and implementing management actions.

We have also improved the tools we use to conduct supplier human rights verifications. This work has involved the development of a standard questionnaire with acceptance criteria. The verifications typically include interviews with management on policies and procedures, interviews with randomly selected personnel on perceived working conditions and practices, and review of employee documentation. The basis for the verifications is our Supplier Declaration and international standards and local laws. Through qualifications and verifications of suppliers and potential tenderers in 2016, we have found deviations both at management system level and at the operational level. At the operational level we have identified gaps towards relevant legislation or contractual requirements on use of overtime, deductions in wages, content of employment contracts and standards towards sub-suppliers.

Whenever gaps are identified, the supplier is required to prepare a corrective action plan for closure of the gaps within a given timeframe. Our contract teams follow up with the suppliers. Additionally, we use awareness sessions, such as our sustainability days, to share experience with suppliers on the type of gaps we have identified and how we follow up.

With these new processes in place, we have in 2016:

- Conducted 65 supplier verifications across 21 countries (including 14 verifications of suppliers to the Johan Sverdrup project)
- Trained approximately 800 employees working with our suppliers through a half-day classroom course
- Conducted sustainability days for suppliers in Norway, Angola and Tanzania to share experience
- Conducted 15 supplier qualifications of suppliers' HSE management systems (including human rights)
- Established a portal on our intranet where information about human rights in the supply chain is made available to all employees
- Arranged for experience transfer meetings with peer companies in the oil and gas industry

Whether we perform awareness raising activities such as training and sustainability days, or monitoring activities such as qualifications and verifications, the objective is to identify room for improvement and to work together with our suppliers to further improve performance in order to respect workers' human rights and comply with applicable laws wherever we operate.

SECURITY AND HUMAN RIGHTS

In some places where we operate, we need to engage security services to safeguard our people and property. Particular focus is needed to ensure respect for human rights in security arrangements, where security services may not be well regulated or security personnel are not adequately trained.

We follow international standards of good practice enshrined in the Voluntary Principles of Security and Human Rights (VPSHR). These address the proportionate use of force by public or private security providers.

In 2016, we followed the country-level implementation of these principles in our ventures in Algeria, Angola, Brazil, Nigeria, Venezuela and Tanzania. We arranged security-related human rights training for security guards, and in Angola and Tanzania, we conducted sustainability, compliance and human rights training sessions for local personnel and suppliers' staff.

We have actively participated in the joint industry activities of the Voluntary Principles Initiative of which we have been a member since 2002. We are also part of IPIECA's Responsible Security Task Force. Through this participation we seek to improve the way we address security and human rights issues by sharing learnings with our peers and other stakeholders. We support similar work by NGOs, such as the International Committee of the Red Cross, Democratic Control of Armed Forces and International Alert.

RESPECTING HUMAN RIGHTS IN COMMUNITIES

We are committed to respecting the human rights of individuals in communities where we have activities. We seek to build lasting relationships with local communities through appropriate, timely and meaningful engagement and dialogue with those who might be affected by our activities. Our aim is to give special attention to issues and concerns such as environmental protection, use of land, access to water, livelihood opportunities, cultural heritage, and other relevant rights. Similarly, we seek to provide or cooperate in providing appropriate access to remedy.

In 2016, none of our projects involved the involuntary resettlement or relocation of people.

In the **USA**, Statoil's US onshore business is actively engaged with host communities. 'Earning Trust' is one of four key pillars outlined in Statoil's Shale Operator Commitments. Our approach is reflected in the operatorship in of the Eagle Ford joint development in Texas. We host royalty owner meetings to address potential questions and concerns in person. During 2016 we met regularly throughout the year with key local, state and federal representatives to keep them apprised of our drilling, completion and maintenance activities, and to explore potential issues of mutual concern to Statoil and to the constituents they represent.

As part of our commitment to community safety and emergency preparedness, Statoil's local operations and field Safety and Sustainability staff participate in Local Emergency Planning Committee meetings organised by local officials in many of the

communities where Statoil operates. For example, at the request of county officials in Eagle Ford, Statoil successfully facilitated a desktop emergency drill in 2016 to help officials assess their readiness and identify potential natural or industrial incidents.

In **Brazil**, Statoil has several ongoing community engagement initiatives in the coastal areas in connection with our operations in the Peregrino Field in the Campos Basin. These involve regular engagement with local communities, including weekly visits by our fieldwork team to nine prioritised communities. In addition, in 2016, we provided support to the local communities with the setting up an association for their participation in public forums.

In **Tanzania**, in response to the findings of the impact assessment conducted in 2015, Statoil has provided regular updates on the progress of our activities throughout 2016 for stakeholders in the Mtwara area. We also arranged targeted engagement sessions for specific groups of people. For example, the session for fishermen during which we provided both information on our business activities in Tanzania and safety at sea training. Focus sessions were held with women and youth groups through a local NGO network.

Indigenous peoples

Economic development activities in areas traditionally owned or occupied by indigenous peoples, or conducted in ways that otherwise affect them, are particularly sensitive. We are committed to respecting the rights and cultures of these peoples.

Statoil does not have onshore activities in the USA on federal lands where consultation with federally recognised tribes would be the primary responsibility of the United States Department of the Interior Bureau of Land Management.

In **Canada**, Statoil remained actively engaged, throughout 2016, with the indigenous communities located near our Leismer oil sands operations. As part of our community consultation and engagement efforts we organised site tours, shared the methods and results of our environmental monitoring programmes, and participated in community cultural events. We also continued our involvement in initiatives to promote local enterprise and employment opportunities and capacity building in local communities and support to local schools and community development projects.

In **New Zealand**, during 2016, Statoil engaged regularly with the Maori people, particularly with the Iwi of the Far North and other Northland Iwi. An important component of the engagement has been providing updates on Statoil activities and sharing environmental data that could be of interest and relevance to the local population. The environmental data comprises reports for surveys conducted by Statoil in connection with our offshore exploration activities, and includes information on environmental baseline, marine mammal observations and seafloor mapping.

Community grievance mechanisms

We aim to establish and promote channels to enable individuals and communities, who may be adversely impacted by our operations, to raise complaints or concerns.

Following a risk-based prioritisation approach, selected business units and country offices have designed and implemented community grievance mechanisms for local communities and vulnerable groups such as minorities, women and indigenous peoples, as needed. These provide direct access to inform us of their concerns, queries or grievances, and seek to provide timely remedy for any adverse impacts that may be caused by our activities, in line with the UN Guiding Principles.

These mechanisms are designed in collaboration with community representatives to reflect their needs, with the intention that they are culturally suited and do not impede communities' access to other appropriate judicial and non-judicial grievance mechanisms.

We also cooperate, as appropriate, with other non-judicial and judicial remedy processes, such as the OECD National Contact Points and Ombudsman offices, as well as providing the applicable regulatory and legal processes for grievance handling and access to remedy.

We monitor and review data from all our community grievance mechanisms to help us to gain a better understanding of the type of issues being raised, the effectiveness of our grievance mechanisms and the handling and resolution of the issues.

Country specific grievance mechanisms

In the **USA**, respecting our host communities by being responsive to issues and concerns related to the impacts of our operations is a cornerstone of Statoil's Shale Operator Commitments. We receive community inquiries primarily through our Owner Relations phone line and email address, in person and by phone in our field offices, and through our Landmen, who are a recognisable presence in most communities. While we continue to evolve our approach to tracking, categorising, managing and responding to issues, communities remain primarily concerned with roads and road use, regardless of operator.

In **Canada,** our community liaison staff are in regular contact with the communities living around our Leismer operations and have ongoing consultations with the First Nation and Metis communities living close to our project area. Our community liaison staff serve as the closest point of contact for addressing any queries or complaints that the communities might have. We did not receive any complaints or grievances from the communities during 2016.

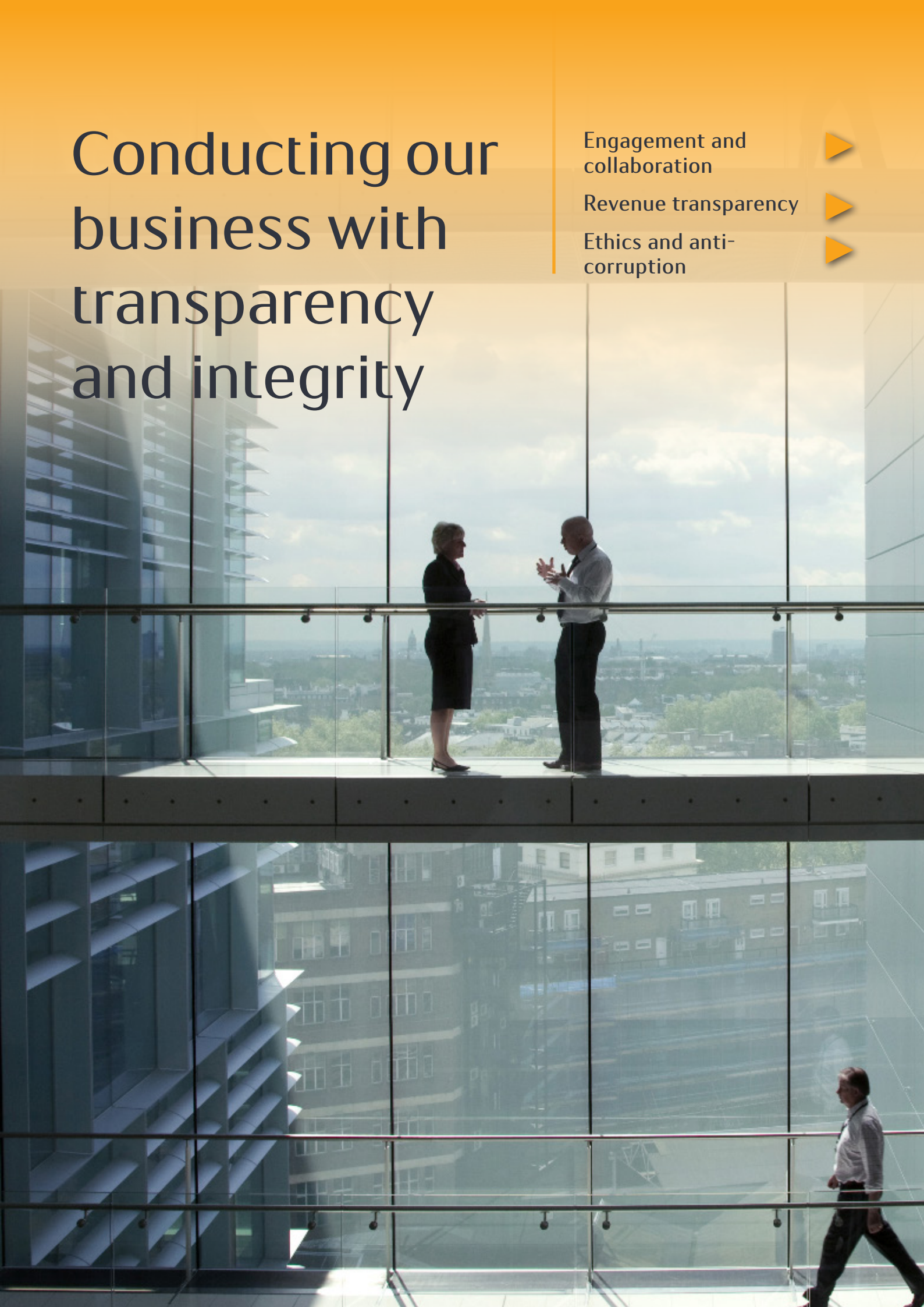
In 2016, we received our 'First Nation consultation adequacy' approvals, for addressing community concerns related to proposed expansions of our existing projects.

In **Brazil**, the company offers a toll free number and email address. Three queries were received from the community in 2016. Responses were provided following the established investigation and handling processes (receive, assess, feedback, investigation, response).

In **Tanzania**, Statoil did not receive any community grievance in 2016. However, we tracked the handling of community grievances received by our contractor in connection with road construction activities linked to a legacy project. Nine grievances were registered during 2016 and all have been handled in accordance with the established process for grievance handling.


Statoil
RESPECT
Risk screening
Training
Awareness
Supply
CHAIN
Working conditions
Workforce
Remedy
Communities
Labour rights
Security
arrangements

Conducting our business with transparency and integrity



CONDUCTING OUR BUSINESS WITH TRANSPARENCY AND INTEGRITY

Relationships based on trust, transparency and integrity are vital for our business.

Tim **Dodson**,
Executive vice president, Exploration

A cornerstone of sustainable business

We believe transparency is a cornerstone of good governance. It is embodied in our corporate values. Transparency allows business to prosper in a predictable and competitive environment and enables society to hold governments and business accountable. We aim to be open and consistent about our policies, positions and performance on sustainability, as well as in how we engage and participate in public processes. During 2016, we enhanced in particular our climate related disclosures to inform our stakeholders more accurately about our response to climate change.

ENGAGEMENT AND COLLABORATION

In order to create value for the communities we work in, we have to work closely with our stakeholders and understand their concerns and expectations. Sustainability challenges are often so complex that several stakeholder groups are needed to solve them, providing multiple perspectives and concerted efforts from all sides.

Our stakeholders are the many individuals and organisations affected by our role as operator and energy provider, employer, customer, and business partner. We try to nurture lasting and constructive relationships with those in our operating environment - to ensure that they benefit from our efforts, as we do through our commercial success.

We engage directly in dialogue with governments, local authorities and communities, civil society, international organisations, industry associations, our employees and their representatives, such as trade unions.

Statoil believes in the value of collective action to actively promote anti-corruption and transparency. We are a longstanding member of the Extractive Industries Transparency Initiative (EITI), members of the United Nations Global Compact Anti-Corruption Working Group and the World Economic Forum's Partnering Against Corruption Initiative (PACI). We also support Transparency International Norway.

Statoil is and has for several years been represented at the international board of the EITI. This enables us to demonstrate our commitment to foster improved governance and greater transparency in our sector. We disclosed to EITI the requested financial information for the 11 EITI-implementing countries in which we had a presence in 2016. These were Azerbaijan, Colombia, Germany, Indonesia, Mozambique, Myanmar, Nigeria, Norway, Tanzania, UK and the USA. In addition, we provided USD 60,000 in financial support to the EITI. We were represented in the national EITI multi-stakeholder group in Norway. In addition, we engage with local and national organisations in countries where we have a presence.

During the year we engaged directly and through affiliations on a number of key sustainability issues. Through the World Bank-led Carbon Pricing Leadership Coalition and our membership of the International Emission Trading Association we continued our advocacy for a price on carbon. Through our membership in the Oil and Gas Climate Initiative (OGCI), World Business Council for Sustainable Development (WBCSD) as well as our direct communications channels, we expressed our continued support for the ambitions of the Paris climate agreement that came into effect in November 2016.

We are members of and associated with many well-known organisations that enable us to learn, share experiences and participate in specific actions designed to improve our performance.

In our dealings with such external organisations we do not knowingly intend to be associated with lobbying or public positions that are contrary to our own policy statements or operational standards. If we detect such a discrepancy, depending on the significance of the matter, we may abstain or make our own differing stance public.

More information on how we engage with stakeholders is available on our corporate website.

REVENUE TRANSPARENCY

Statoil supports and promotes effective, transparent and accountable management of wealth derived from the extractive industries. Our activities generate revenue for governments around the world and we believe that through disclosure of payments to governments we promote accountability and build trust in the local communities where we operate.

We welcome initiatives to strengthen revenue transparency legislation, including disclosure of payments per project, as laid out in the EU Transparency Directive and in comparable Norwegian legislation that came into effect in 2014. However, a global standard for revenue disclosure would be even more welcome. For Statoil, it is important that revenue transparency regulation applies globally, is effective, and creates a level playing field for all relevant actors in society.

More information on our payments to government is in Chapter 5.4 of the 2016 Annual Report and Form-20F, available on our corporate website.

Tax transparency

Global public interest in corporate structures and the integrity of tax regimes has continued through 2016. This has included interest in the use by companies of so-called tax haven jurisdictions. Statoil is committed to being a responsible corporate citizen, delivering professionally executed tax compliance and tax planning, based on valid business purposes. We seek to meet all our tax obligations in accordance with the applicable tax regulations and laws in each jurisdiction where we operate.

ETHICS AND ANTI-CORRUPTION

Statoil's Code of Conduct (the Code) prohibits all forms of corruption. We maintain a robust Anti-Corruption Compliance Programme throughout the company to implement our zero-tolerance policy. A global network of compliance officers is responsible for ensuring that ethical and anti-corruption considerations are integrated into Statoil activities no matter where they take place.

Statoil employees, board members and hired personnel working for us are required to comply with the Code and all employees must annually confirm, in writing, that they will comply with the Code. The Code is based on our values and reflects our commitment to ethical conduct.

In 2016 we introduced and rolled out an updated and more user-friendly Code, that made it easier to understand the behaviour that is expected of employees. This also incorporated new guidance relating to international trade restrictions and money laundering.

Our suppliers and partners must adhere to ethical standards which are consistent with our Code when working for or together with us. We also seek business partners who share our commitment to business integrity and who have codes of conduct consistent with our own. We have a process to develop in-depth knowledge of our suppliers, partners, and the markets in which we work. Our vetting process is risk-based, allowing us to target resources where we see potential concerns.

In 2016 we continued to develop our supplier monitoring processes to better evaluate the performance of our supply chains. In 2017, we plan to systematise these processes more fully and further advance our intelligence gathering and analysis capabilities.

We provide regular training and instruction throughout the company, and to selected suppliers, to build awareness and understanding of our Code. We require all Statoil employees to complete our e-learning programme on anti-corruption. We also offer in-person workshops for those most likely to face integrity issues. Our workshops are targeted and designed to facilitate meaningful in-depth discussion on specific issues. This allows our experts to learn more about new challenges the company is facing and allows participants to ask questions that are specific to their work.

In 2016, 601 people completed our ethics and anti-corruption e-learning programme, 522 completed our integrity due-diligence e-learning, 180 completed our code of conduct e-learning, 567 participated in general anti-corruption workshops and 646 participated in targeted anti-corruption workshops.

The integrity issues that Statoil faces are complex and interlinked. We see the value of open discussions with our partners and other stakeholders to understand the different roles that each of us plays and the possible solutions that we could achieve.

As an example, in 2016 we held our first sustainability days in Tanzania and Angola, where we invited those who are integral to our activities for a closed-door discussion on integrity and sustainability. The participants included government officials, project partners, our supply chain and local non-governmental organisations which implement our social investments.

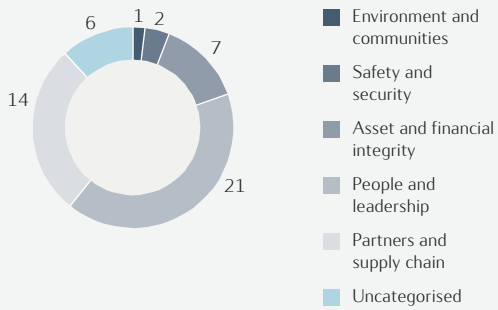
Reporting and handling concerns

At Statoil, we encourage open dialogue on ethical issues, both internally and externally. We expect anyone who becomes aware of a possible violation of our Code, our policies, or applicable law, to report their concern in a prompt and responsible manner. Employees are encouraged to discuss concerns with their immediate supervisor or other leader, or use internal channels which are available to provide support.

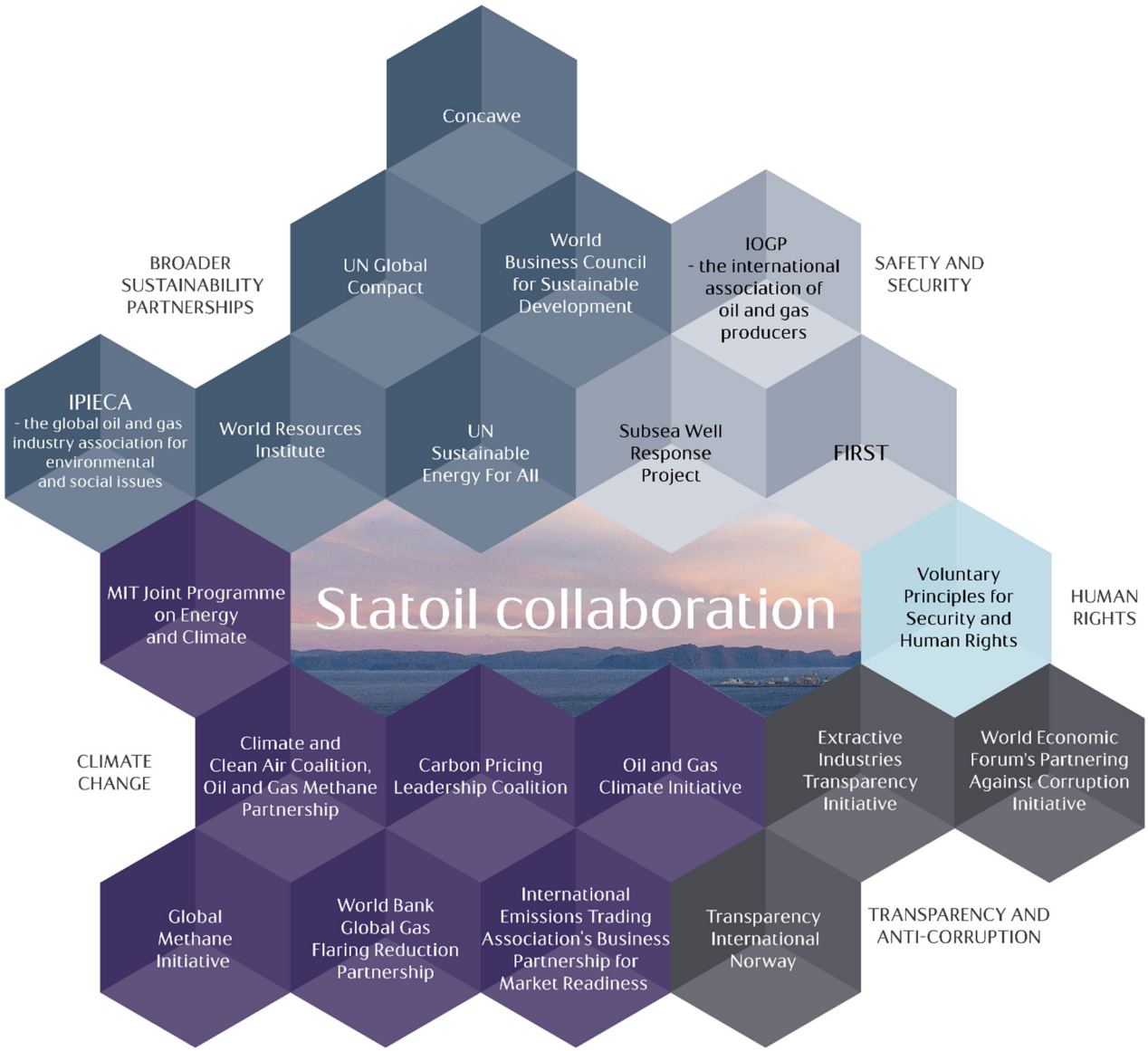
Concerns can also be reported through our Ethics Helpline which is available 24 hours a day, and allows for two-way communication. The Ethics Helpline is structured to allow for anonymous reporting and is open to employees, our business partners and the general public. Statoil has a strict no-retaliation policy for anyone who reports in good faith.

In 2016 we received 51 cases through the Ethics Helpline, which included 13 reported concerns relating to harassment, discrimination and personal misconduct.

Ethics Helpline cases in 2016*
(number of)

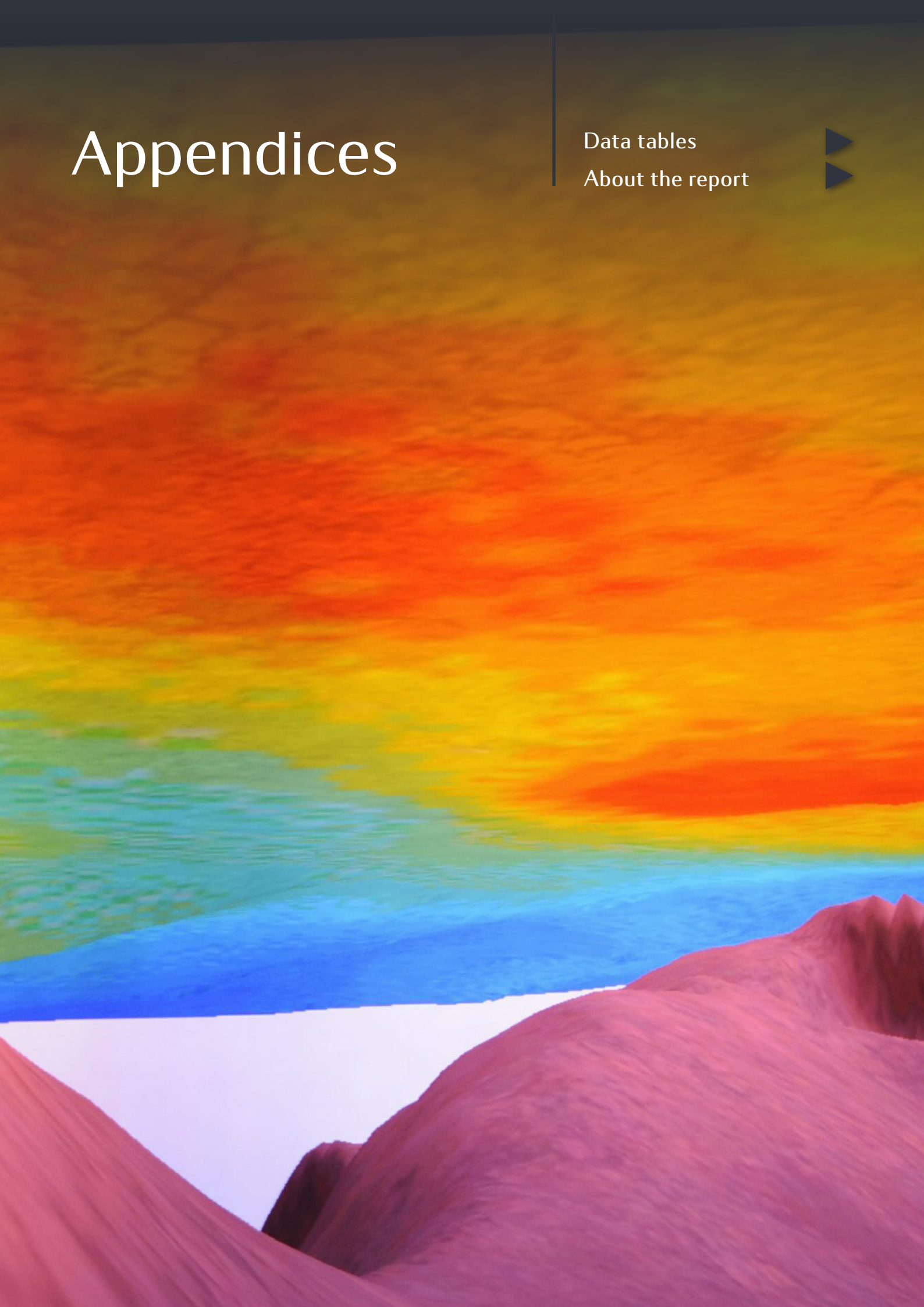


*Categorised based on reporter's allegation.
Cases reported through internal channels are not included.


Concawe
BROADER SUSTAINABILITY PARTNERSHIPS
UN Global Compact
World Business Council for Sustainable Development
IOGP - the international association of oil and gas producers
SAFETY AND SECURITY
IPIECA - the global oil and gas industry association for environmental and social issues
World Resources Institute
UN Sustainable Energy For All
Subsea Well Response Project
FIRST
MIT Joint Programme on Energy and Climate
Statoil collaboration
Voluntary Principles for Security and Human Rights
HUMAN RIGHTS
CLIMATE CHANGE
Climate and Clean Air Coalition, Oil and Gas Methane Partnership
Carbon Pricing Leadership Coalition
Oil and Gas Climate Initiative
Extractive Industries Transparency Initiative
World Economic Forum's Partnering Against Corruption Initiative
Global Methane Initiative
World Bank Global Gas Flaring Reduction Partnership
International Emissions Trading Association's Business Partnership for Market Readiness
Transparency International Norway
TRANSPARENCY AND ANTI-CORRUPTION


Anti-corruption compliance
Extractive industries transparency initiative (EITI)
Collaboration
Statoil
Revenue transparency
Engagement
Payments to Governments
Code of Conduct
Ethics
Corporate VALUES
ETHICS HELPLINE
Integrity due diligence

Appendices



APPENDICES

SAFETY AND SUSTAINABILITY DATA

PRODUCTION AND ENVIRONMENTAL DATA

Production data	2016	2015	2014	2013	2012	2011	2010
Operated production (mmboe)	1030	1,073	997	974	1,083	n/c	n/c
Equity production (mmboe)	723	719	703	708	731	675	689
Renewable energy production, equity (GWh)	423	475	536	538	300	47	86
Greenhouse gas emissions							
CO_2 emissions (million tonnes)	14.8	15.4	15.3	15.1	15.1	13.7	13.4
CO_2 emissions (million tonnes) Equity basis [1]	12.7	12.3	12.1	n/c	n/c	n/c	n/c
Methane (CH_4) (thousand tonnes)	24.2	36.3	40.6	37.0	38.3	33.5	33.4
Scope 1: Direct total greenhouse gas emissions (million tonnes CO_2 equivalent)	15.4	16.3	16.3	16.0	16.0	14.6	14.2
Scope 2: Total indirect greenhouse gas emissions (million tonnes CO_2), location based factor [2]	0.3	0.3	0.3	n/c	n/c	n/c	n/c
Scope 2: Total indirect greenhouse gas emissions (million tonnes CO_2), market based factor [2]	2.6	2.5	n/c	n/c	n/c	n/c	n/c
Scope 3: Total GHGs (million tonnes CO_2 equivalent)	296	295	288	290	299	277	n/c
CO_2 captured and stored (accumulated) (million tonnes) [3]	20.0	19.5	18.0	17.0	16.0	14.0	13.0
Emission reductions (million tonnes CO_2)	0.3	0.6	0.3	0.2	n/c	n/c	n/c
Flaring and energy consumption							
CO_2 from flaring (million tonnes)	1.4	1.4	1.9	1.8	1.1	1.2	1.3
Flaring (thousand tonnes hydrocarbon flared)	443	440	570	n/c	n/c	n/c	n/c
Flaring intensity, upstream (tonnes gas flared/1000 tonnes hydrocarbons produced)	2.5	3	4	n/c	n/c	n/c	n/c
Energy consumption (TWh)	73	75	74	72	72	67	65
Acid gases and VOCs							
Sulphur oxides (SO_x) (thousand tonnes)	1.8	2.5	2.2	2.0	1.8	1.9	1.4
Nitrogen oxides (NO_x) (thousand tonnes)	39	42	47	46	45	41	42
Non-methane volatile organic compounds (nmVOC) (thousand tonnes)	49	60	72	58	60	43	45
Water and chemicals							
Fresh water consumption (million cubic metres)	13.5	14.5	14.8	12.0	11.3	10.1	12.1
Hydraulic fracking chemicals (thousand tonnes)	17	28	26	n/c	n/c	n/c	n/c
Waste							
Hazardous waste recovery rate (%)	84	16	13	10	11	17	29
Non-hazardous waste recovery rate (%)	56	63	52	40	41	45	52
Hazardous (thousand tonnes)	438	309	339	378	304	244	279
Non-hazardous (thousand tonnes)	50	40	57	65	68	66	147
Exempt waste [4]							
Cuttings and solids (thousand tonnes)	81	117	203	n/c	n/c	n/c	n/c
Produced water and flowback (million cubic metres)	4	5	4	n/c	n/c	n/c	n/c
Regular discharges of oil to water (thousand tonnes)	1.4	1.4	1.4	1.2	1.2	1.2	1.2
Safety and environmental fines							
Safety and environmental fines (> USD 119 thousand) (USD thousand)	0	7	0	51	n/c	n/c	n/c

Notes to production and environmental data table

n/c = not calculated.

(1) For processing and refining activities, equity share is in principle based on ownership percentage. In cases where the ownership percentage is significantly different from the economic substance of the relationship, e.g. Statoil's ownership in a processing facility does not correspond to Statoil's economic interest in the facility's throughput, a percentage corresponding to economic interest is applied, in order to calculate Statoil's equity CO2 emissions for the facility.

For partner-operated oil and gas production assets, CO2 emissions data is in principle obtained from the operating companies. As such, the way in which CO2 emissions are quantified by our partner-operators may vary and Statoil's ability to quality assure such data is limited. In cases where it is not practicable to obtain asset-specific CO2 emissions data within Statoil reporting deadlines, estimation, based upon e.g. historical data or industry intensity figures applied to actual production figures, may be utilised.

(2) A location-based calculation method reflects the average emissions intensity of grids (using mostly grid-average emission factor data). A market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contracts between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims (Source: Greenhouse gas protocol)

(3) CO2 captured and stored from Statoil-operated assets. Does not include CO2 captured and stored from the joint operatorship In Salah (included in 2014 Sustainability report).

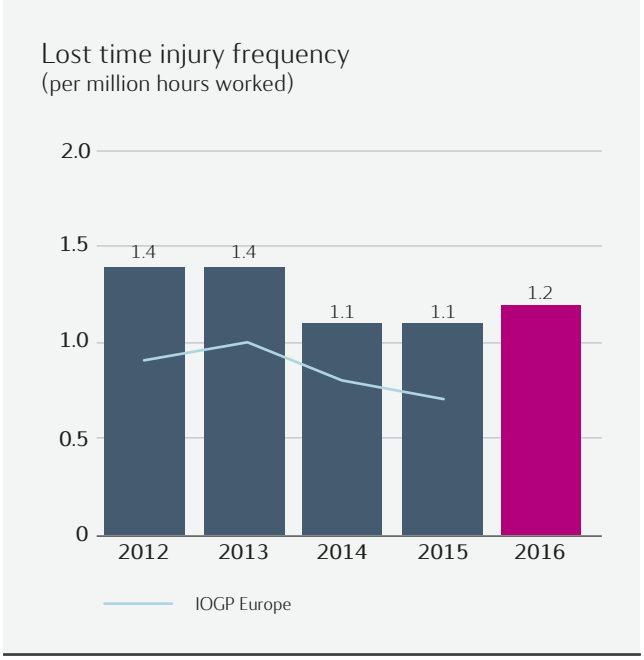
(4) Drill cuttings and produced and flow-back water from our US operations are exempt from regulation as hazardous waste and are not included in the waste recovery figures.

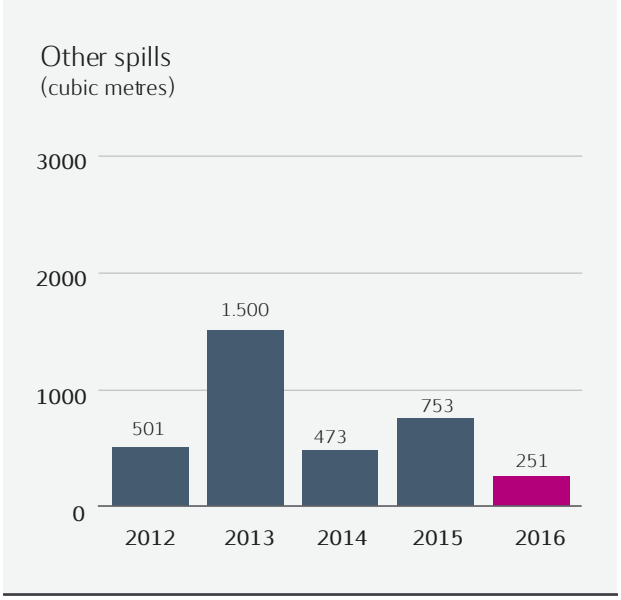
HEALTH AND SAFETY DATA [1]

	2016	2015	2014	2013	2012
Total recordable injury frequency (TRIF) (per million hours worked)	2.9	2.7	3.0	3.8	3.8
TRIF employees (per million hours worked)	2.7	2.3	1.8	2.3	2.8
TRIF contractors (per million hours worked)	3.1	2.9	3.6	4.6	4.4
TRIF Norway (per million hours worked)	3.3	2.9	3.4	3.8	3.9
TRIF South Korea (per million hours worked)	1.5	0.9	0.6	1.0	n/a
TRIF USA (per million hours worked)	2.8	2.8	3.7	4.2	3.8
Total serious incident frequency (SIF) (per million hours worked)	0.8	0.6	0.6	0.8	1.0
Actual serious incident frequency (SIF) (per million hours worked)	0.3	0.2	0.2	0.2	0.3
Fatalities employees (number of)	1	0	0	5	0
Fatalities contractors (number of)	13	3	2	0	0
Lost time injury frequency (LTIF) (per million hours worked)	1.2	1.1	1.1	1.4	1.4
Serious oil and gas leakages (number of)	18	21	13	19	8
Oil spills (cubic metres)	61	31	125	69	52
Other spills (cubic metres)	251	753	473	1,500	501
Sickness absence (%)	4.3	4.1	3.8	3.9	3.7

Notes to health and safety data table

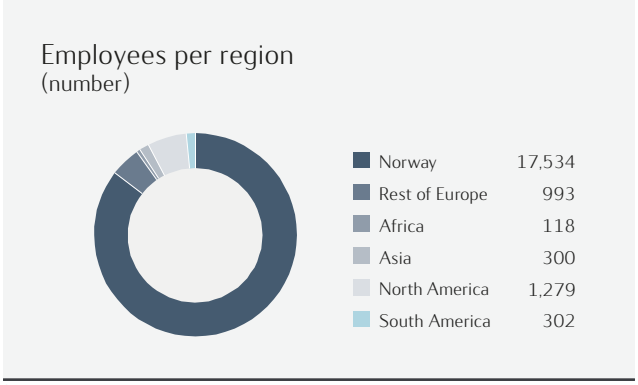
(1) Reported safety incidents may be subject to re-classification after the specified reporting deadline





WORKFORCE PER COUNTRY DATA 2016

Country	Permanent employees	Country	Permanent employees
Algeria	57	Myanmar	2
Angola	18	Netherlands	32
Australia	2	New Zealand	1
Azerbaijan	11	Nigeria	10
Bahamas	59	Norway	17,534
Belgium	66	Poland	2
Brazil	277	Russian Federation	74
Canada	324	Singapore	38
China	9	South Korea	213
Denmark	324	Spain	6
Faroe Islands	1	Switzerland	1
Germany	20	Tanzania	30
Indonesia	22	Thailand	7
Ireland	2	United Kingdom	465
Kazakhstan	1	United Arab Emirates	6
Libya	3	USA	893
Mexico	3	Venezuela	25
Total			20,539
Total OECD			19,898
Total non-OECD			641



SOCIAL INVESTMENTS DATA 2016 (USD)

	Voluntary [1]	Contractual [2]	Main projects
Angola	83,000	[3]	Higher and rural education; governance; human rights
Brazil	11,000	440,000	Community engagement (licencing programmes); Community awareness
Canada	630,000		Support to indigenous communities; capacity building, community development.
Nigeria	195,000		Local community capacity building (Akassa project)
Russia	54,000		Capacity building; education
Tanzania [4]	2,800,000	79,000	Capacity building; higher education, community awareness

(1) Voluntary social investments are the contributions made to address social and environmental risk factors and to enhance opportunities arising from our business activities.
(2) Contractual social investments are the contributions that we are required to pay under the terms of production sharing agreements or contracts or host government agreements or national laws
(3) Social contributions paid as part of the signature bonuses in Angola are disclosed in Chapter 5.4 in the 2016 Annual Report and Form 20-F.
(4) Statoil Tanzania made a payment of USD 740,000 within 31st December 2016, pertaining to social investments to be implemented in 2017

ABOUT THE REPORT

REPORTING PRINCIPLES

Our sustainability report has been prepared on the basis of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, including the Oil and Gas Sector Supplement. In our opinion, the report is in accordance with the 'core' reporting level. A GRI content index is available at www.statoil.com/sustainability.

As a supplement, our reporting is informed by the IPIECA Oil and gas industry guidance on voluntary sustainability reporting. We regard our sustainability report to be our Communication of Progress report to the United Nations Global Compact. In our opinion, we meet the requirements for the Global Compact Advanced reporting level.

The report is externally assured by KPMG. The external assurance, as outlined in the Independent assurance report, concludes that the report is presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) of the GRI.

REPORTING BOUNDARIES

Defining consistent boundaries for sustainability reporting is challenging due to the complexity of ownership and operational arrangements, such as joint operating agreements. We strive to be consistent and transparent about variations in boundaries. Non-financial data are reported on a 100 % basis for companies and joint ventures where we are the operator or the technical service provider, unless otherwise stated. We report this way, in line with industry practice, because these are the data we can directly manage and affect.

An overview of Statoil operated and partner operated assets is available on our corporate website.

- We report health and safety incident data for our operated assets, facilities and vessels, including subsidiaries and operations where we are the technical service provider. In addition, we include contracted drilling rigs, floatels and vessels, projects and modifications and the transportation of personnel and products, using a risk based approach[(6)].
- We report environmental data on a 100 % basis for our operated assets, facilities and vessels, including subsidiaries and operations where we are the technical service provider, and for contracted drilling rigs and flotels. Environmental data represent our direct emissions, discharges, consumption etc. unless otherwise stated.
- We collect social performance data from assets under our operational control.
- Our workforce data covers employees in our direct employment. Temporary employees are not included.
- We report economic data on an equity basis, unless otherwise stated

Operations acquired or disposed of during the year are included for the period we owned them, unless otherwise stated. Entities that we do not control, but have significant influence over, are included in the form of disclosures of management approach.

[(6)]We apply a framework of minimum requirements for recording of safety and environmental data for operations within our control. In addition, we apply a business risk-based approach to data recording, extending our sphere of influence beyond what is considered to be within our operational control.

MATERIAL ISSUES

Material topic	Boundary
Corporate governance (1 Shaping the future of energy)	
Statoil book revision and revisited corporate values	Group
Sharpened corporate strategy	Group
Health, safety and security (2 Safeguarding people, communities and assets)	
Fatalities	Workforce, operations, contractors
Safety performance	Workforce, operations, contractors, suppliers
Health and working environment	Workforce, operations
Oil spill	Operations
Security	Workforce, operations, contractors
Climate change, energy transition, energy access (3 Responding to climate change)	
Our climate roadmap	Group
Management of climate related business risk	Group
Reducing our carbon footprint (Flaring, methane emissions, energy efficiency)	Operations
Being part of the energy transition (Renewables, carbon capture utilisation and storage (CCUS), research and development)	Group
Natural resource use efficiency, biodiversity and ecosystem services [1] (4 Managing our environmental impact)	
Routine emissions, discharges and waste	Operations
Water use	Operations
Chemicals use	Operations
Waste management and reporting	Operations
Offshore wind operations	Operations
Arctic and cold climate operations	Operations
Local value creation (5 Creating value for society)	
Procurement of goods and services	Group
Payments to governments	Group
Payments to investors and shareholders	Group
Job creation	Workforce, operations, contractors, suppliers
Statoil employees	Workforce
Human rights (6 Respecting human rights)	
Our human rights policy and practice	Group
Labour rights and working conditions [2]	Workforce, operations, contractors, suppliers
Human rights in security arrangements [3]	Workforce, operations, contractors, suppliers
Human rights in communities	Workforce, operations, contractors, suppliers, communities
Access to remedy [4]	Workforce, operations, contractors, suppliers, communities
Transparency, ethics and integrity (7 Conducting our business with transparency and integrity	
Revenue transparency	Group
Tax transparency	Group
Engagement and collaboration	Group
Ethics compliance	Group
Anti-corruption	Group
Ethics helpline	Workforce, contractors, suppliers, communities

(1) Includes emissions to air other than CO_2 and CH_4, chemicals use, water management biodiversity, waste management, discharges to water. Spills are managed through our managed as safety incidents

(2) For Statoil workforce this focuses on health and safety, diversity, inclusion, equality, harassment and bullying and access to remedy

(3) For countries where we engage security services to safeguard our people and property

(4) Includes ethics helpline reporting and grievance mechanisms

DEFINITIONS AND ABBREVIATIONS

- boe: Barrel of oil equivalent.
- Carbon dioxide (CO_2) emissions: Emissions from energy and heat production, flaring (including well testing/well work-over), rest emissions from capture and treatment plants, and emissions of CO_2 as a result of process emissions.
- CO_2 emissions intensity: Total scope one emissions of carbon dioxide (kg CO_2) divided by total production (boe).
- Contractual social investment: Social investments that are part of a PSA agreement or mandated in host government law.
- Energy consumption: Energy from power and heat production based on combustion, unused energy from flaring (including well testing/ work-over and venting), energy sold/delivered to third parties and gross energy (heat and electricity) imported from contractors.
- Flared hydrocarbons: Weight of hydrocarbons combusted in operational flare systems. Includes safety and production flaring.
- Flaring intensity: Flared hydrocarbons from upstream activities (incl. LNG) per hydrocarbons produced.
- Fresh water consumption: Includes water from public installations, wells (included reservoirs), lakes, streams, rivers and purchased fresh water. Fresh water produced from salt water on facilities/installations is not included.
- Hazardous waste recovery rate: The total quantity of hazardous waste from the plant's operation that has been delivered for reuse, recycled or incinerated with energy recovery, as a proportion of the total quantity of hazardous waste.
- IEA: International Energy Agency.
- IPIECA: The global oil and gas industry association for environmental and social issues.
- IPPC: International Panel on Climate Change.
- LNG: Liquefied natural gas.
- Lost-time injury frequency: The number of fatalities and lost-time injuries per million hours worked.
- Methane (CH_4) emissions: Includes emissions from energy and heat production at own plants, flaring (including well testing/well work-over), cold venting, diffuse emissions, and the storage and loading of crude oil.
- Nitrogen oxides (NOx) emissions: Emissions from energy and heat production at our own plants, the transportation of products, flaring (included well testing/well work-over) and treatment plants.
- Non-hazardous waste recovery rate: The quantity of non-hazardous waste from the plant's operation that has been delivered for reuse, recycled or incinerated with energy recovery, as a proportion of the total quantity of non-hazardous waste.
- Non-methane volatile organic compounds (nmVOC) emissions: Emissions from energy and heat production, transportation of products, flaring (including well testing/well work-over), cold venting, diffuse emission sources and storage and loading of crude oil and products.
- Oil spill: All unintentional oil spills to the natural environment.
- Operations: Temporary or permanent sites, activities and assets used for exploration, extraction, refining, transporting, distributing, and marketing petroleum products.
- Other unintentional spills: Unintentional spills of chemicals, produced water, ballast water and polluted water reaching the natural environment.
- Psychosocial work environment: The psychosocial work environment concerns aspects of the design and management of work and its social and organizational context that could have an impact on the employee's health and well-being.
- Scope 1 emissions: Direct greenhouse gas emissions from operations that are owned or controlled by the organisation
- Scope 2 emissions: Indirect greenhouse gas emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the organisation
- Scope 3 emissions: All greenhouse gas emissions that occur as a consequence of the operations of the organisation, but are not directly controlled or owned by the company, such as use of sold products (equity basis)
- Serious incident frequency (SIF): The number of serious incidents (including near misses) per million hours worked. An incident is an event or chain of events that has caused or could have caused injury, illness and/or damage to/loss of property, the environment or a third party. All undesirable incidents are categorised according to degree of seriousness, based on established categorisation matrices.
- Serious incident frequency (SIF), actual: The number of actual serious safety incidents categorised with a red degree of seriousness per million hours worked.
- Serious incident frequency (SIF), total: The number of actual and potential serious incidents categorized with a red degree of seriousness per million hours worked.
- Serious oil and gas leakages: Number of inflammable oil/liquid/gas leaks with leakage rate >0.1 kg/second or brief leakages >1kg.
- Sickness absence: The total number of sickness absence hours as a percentage of planned working hours (Statoil ASA employees).
- Sulphur oxides (SOx) emissions: Emissions from energy and heat production and flaring, including well testing/well work-over.
- Total recordable injury frequency: Number of fatal accidents, lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked.

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Independent Assurance Report

To the board of directors of Statoil ASA

Our conclusion in respect of the Report

We have reviewed the Sustainability Report 2016 (hereafter `*the Report*') of Statoil ASA (further `*Statoil*').

Based on our review, nothing has come to our attention to indicate that the Report is not presented, in all material respects, in accordance with the G4 Guidelines of the Global Reporting Initiative including the Oil and Gas Sector Supplement and internally developed guidelines as described in the section About the Report.

Our opinion in respect of safety and environmental performance information

We have also performed reasonable assurance procedures on the following safety and environmental performance indicators:

- Included in the section Safety and Security and Appendices: Total recordable injury frequency (TRIF), Serious incident frequency (SIF), Fatalities, Oil spills, Serious oil and gas leakages;
- Included in the section Climate Change: Greenhouse gas emissions scope 1, control based CO_2 emissions, CH_4 emissions, NO_x, Energy consumption and SO_x emission.

In our opinion, the information for these indicators is presented, in all material respects, in accordance with the reporting criteria.

Basis for our conclusion and opinion

We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE 3000): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. This standard requires, among others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that they comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence. We do not provide any assurance on future events or the achievability of the objectives, targets and expectations of Statoil.

Our responsibilities under ISAE 3000 and procedures performed have been further specified in the paragraph titled "*Our responsibility for the review of the Report*".

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion and opinion.

KPMG

Responsibilities of the board of directors and corporate executive committee for the Report

The board of directors' Safety, Sustainability and Ethics Committee and the corporate executive committee are responsible for the preparation of the Report in accordance with the reporting criteria as described in the section About the Report. It is important to view the information in the Report in the context of these criteria.

As part of this, the corporate executive committee is responsible for such internal control as it determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our responsibility for the assurance of the Report

Our objective is to plan and perform the assurance assignment in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion and opinion.
We maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement has been performed with a limited level of assurance for the Report, and reasonable assurance on the data and related explanatory notes for the safety and environmental performance indicators as listed under 'Opinion in respect of safety and environmental performance information'.

Procedures performed in a limited assurance engagement are aimed at determining the plausibility of information and therefore vary in nature and timing from - and are less extensive than - a reasonable assurance engagement. Our reasonable assurance on the safety and environmental performance information as defined above has been performed with a high, but not absolute level of assurance, which means we may not have detected all errors and fraud when these exist.

The procedures selected depend on our understanding of the Report and the indicators and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. The following procedures for limited assurance on the Report were performed:

- A risk analysis, including a media search, to identify relevant sustainability issues for Statoil in the reporting period.
- Evaluating the design and implementation of the reporting processes and the controls regarding the qualitative and quantitative information in the Report.
- Interviewing management at corporate, business and local level responsible for the sustainability strategy, policies, communication, implementation, management, internal controls and monitoring and reporting.
- Evaluating internal and external documentation, based on sampling, to determine whether the information in the Report is supported by sufficient evidence.

Our additional procedures for reasonable assurance on the safety and environmental performance information as outlined above involved:

- Interviews with relevant staff at corporate, business and local level responsible for providing the information in the Report, carrying out internal control procedures on the data and consolidating the data in The Report.
- Visits to two production sites in Norway and Brazil to review the source data and the design and implementation of controls and validation procedures at local level.
- An analytical review of the data and trend explanations submitted by all businesses for consolidation at corporate level.

Oslo, 9 March 2017
KPMG AS

Mona Irene Larsen
Partner

Wim Bartels
Partner

PHOTO
Harald Pettersen:
Cover photo
Chapter covers:
Safeguarding people, communities and assets (page 9)
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ILLUSTRATIONS AND DESIGN
Statoil

Statoil, Sustainability Report 2016

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